

FINANCIAL TIMES

TAIWAN The other China's new confidence Page 10

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World News

Bhutto seeks to assert authority over army

Pakistan's Prime Minister Benazir Bhutto is expected this week to assert her authority over the President and the military...

Crash bodies found

Rescuers have recovered 15 bodies from the wreckage of an aircraft which disappeared last week as it flew a group including US Congressman Mickey Leland to visit an Ethiopian refugee camp.

Columbia lands

The US space shuttle Columbia landed safely in the California desert after deploying what is believed to be a powerful spy satellite over the Soviet Union.

Chinese oil blaze

Five people were killed and 12 are missing in a massive blaze caused by lightning at an oil depot in China's eastern port of Qingdao.

Kohl EC prediction

Helmut Kohl, the West German Chancellor, believes Hungary could be a member of the EC by the year 2000.

Peru strike threat

Peru's 70,000 miners, many earning less than \$2 a week, plan to start an indefinite strike today that threatens to cripple the country's key industry.

Norway poll pointer

A poll has indicated that Norway's extreme-right Progress Party could become the country's second largest political party when the nation votes on September 11.

Wales in talks

Solidarity leader Lech Walesa will meet the leaders of the United Peasants' Party and the Democratic Party, both traditionally pro-Communist, to discuss forming a non-Communist coalition government.

Belfast protest

Irish nationalists marched through Belfast in a protest marking the 20th anniversary of the deployment of British troops in Northern Ireland.

Assam violence

More than 150 people have died in violence involving Bodo tribesmen in India's Assam state over the past four days, officials said.

Spain prison protest

Prison warders in jails across Spain locked themselves up to demand protection after the mother of one of their colleagues was killed by a parcel bomb.

Balloon tragedy

Thirteen people plummeted 2,000ft to their deaths when a pair of hot air balloons collided over the Australian Outback.

Space shot failure

European space scientists failed in their third attempt to fire the rocket motor of the ill-fated Hipparcos star-mapping satellite.

Four face death

Four Maldivians were sentenced to death for their part in an unsuccessful attempt last November to overthrow the Maldives Government.

Spectator killed

A motor rally car crashed into the crowd near the northern Spanish city of Santander, killing one person and injuring four others.

Fast food

Police in Rome said more than 600 diners had their tables seized in mid-meal during six weeks of raids on open-air restaurants which encroach too far on the narrow streets of the city.

Business Summary

UK stores group to announce refinancing

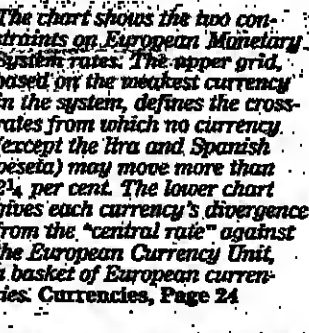
A REFINANCING package for Lowndes Queensway, UK furniture and carpet retailer, should be announced by the end of this week.

The company was formed by the £450m (£720m) buy-out of Harris Queensway last summer. Many retailers of expensive items such as furniture, carpets and electrical goods have seen sales fall following the rise in interest rates and slow-down in the housing market.

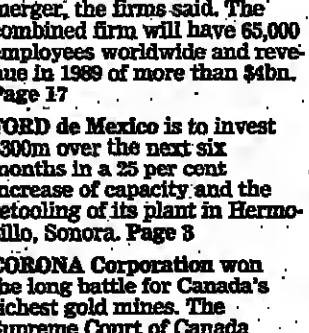
EUROPEAN Monetary System

The D-Mark stayed firm against its EMS partners last week despite losing ground against the dollar. The latter rose sharply on Thursday and Friday after strong demand at the US Treasury 30-year bond auction.

GRD August 11, 1989



ECU DIVERGENCE August 11, 1989



Merger: US partners of the accounting firms Deloitte Haskins and Sells and Touche Ross and Co have approved a merger.

FORD de Mexico is to invest \$300m over the next six months in a 25 per cent increase of capacity and the retooling of its plant in Hermosillo, Sonora.

CORONA Corporation won the long battle for Canada's richest gold mines. The Supreme Court of Canada ruled that Lac Minerals must hand over the Page Williams mine to Corona.

RAT Industries, tobacco-based UK conglomerate fighting a £13.5bn (£21.6bn) bid from the Hoylake consortium, made clear that its initial defence will be to stress its strengths.

EUROPEAN central banks should compete to provide a stable currency for the unified European Community market according to the Institute of Economic Affairs in an alternative scheme to the monetary union proposed by the EC.

MOTOR Industry: The rate of growth in West European new car sales slowed significantly in July, but the European motor industry is still on track for record sales for a fifth year in a row.

GREECE'S temporary conservative-communist administration is facing a record surge in the public sector deficit and a partial reversal of recent improvements in the country's external balances.

Botha, de Klerk to meet amid National Party crisis

By Patti Waldmeir in Johannesburg

SOUTH AFRICAN President P. W. Botha will this morning confront his likely successor, Mr F. W. de Klerk, in the climax to a political dispute which has embarrassed the country's ruling National Party.

White House warns Fed caution could trigger US recession

By Lionel Barber in Washington

MR RICHARD DARMAN, President George Bush's budget director, yesterday warned the Federal Reserve that high interest rates and tight money risked tipping the US economy into recession.

Mr Darman said the Fed had been "obsessed" with fighting inflation, rather than seeking to maintain growth in the economy, and may already have pushed the policy too far earlier this year.

Turning to fiscal policy, Mr Darman continued to play down rumours that the Administration might support new taxes as part of a deal with Congress to cut substantially the expected \$160bn budget deficit next year.

UK retail sales growth stalls as interest rates start to bite

By Ralph Atkins and Peter Norman in London

THE IMPACT of high interest rates on British consumers is starkly illustrated today by a survey showing retail sales growth nearly at a standstill last month.

Sales volumes in July were scarcely higher than a year before, the Confederation of British Industry-Financial Times distinctive trades survey indicates. That most notable rate of growth was far lower than in any month since the survey began in 1983.

Although there were exceptional factors, the results suggest that the Government's high interest rate strategy has succeeded in knocking the momentum out of consumer spending.

Competition with July 1988 and also difficult because sales then were exceptionally high. Of 310 retailers replying to the survey, 43 per cent said

but gave no further details. Political analysts said that it appeared Mr de Klerk had succeeded in rallying the Cabinet behind him, but they stressed that the outcome of today's meeting remained in doubt.

Progress on global securities regime By David Lussell, Banking Editor, in London

FINANCIAL regulators in several leading industrial countries are preparing to take the first step towards establishing a global regime for the securities industry.

After two years' work, they have agreed on a common approach to assessing the capital adequacy of firms which deal in the securities markets. They have also agreed on the need for national authorities to swap more information to monitor the growing internationalisation of the securities business.

The agreement, to be unveiled next month, should mark a milestone in the drive to increase the effectiveness of international regulation and bring greater consistency to leading financial markets.

Christian stronghold stormed by Syrians

By Lara Marlowe in Damascus and George Graham in Paris

SYRIAN troops and their allies launched the first ground offensive in five months of fighting in Lebanon yesterday when they attacked a Christian stronghold overlooking Beirut.

The infantry and tank assault on the Christian enclave came after four days of particularly ferocious artillery duels which have killed about 10 people, wounded 400 and prompted renewed international calls for a truce.

France, which created modern Lebanon after the First World War, launched a new diplomatic initiative over the weekend aimed at raising international awareness of the gravity of the situation.

More than 600 Lebanese have been killed since March when Gen Michel Aoun, the Christian leader supported by Iraq, embarked on a campaign to drive some 40,000 Syrian troops

from the country. Much of Beirut is in ruins and hundreds of thousands of its inhabitants have fled. Gen Aoun's forces said yesterday that they had repulsed an assault on the Souk el-Garb ridge by the Syrian army's 41st regiment and Syria's Druze and other allies, supported by T-62 tanks.



A family hides underground in Moslem West Beirut yesterday amid continued shelling between Syrian and Lebanese troops

Christian stronghold stormed by Syrians

The attackers said they had gained control of some territory, but Mr Walid Jumblatt, the Druze leader, cancelled a scheduled news conference at which he had been expected to announce the capture of the town.

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CONTENTS THE MONDAY INTERVIEW Philippe Starck is one of the world's most successful industrial designers...

Car sales: European motor industry heads for fifth record year... 2 Bonn's Chancellor Kohl believes Hungary could be in the EC by year 2000... 2

OVERSEAS NEWS

Surge in Greek public sector deficit

By a Correspondent in Athens

GREECE'S temporary conservative-communist administration is facing a record surge in the public sector deficit...

rowing requirement is estimated by the Bank of Greece at Drs 1,900bn (€7.2bn), or 22 per cent of GDP...

the issuing of new Treasury bills and bonds with higher interest rates than the present 16.5 per cent.

€3.58bn at the end of June, compared with €3.76bn a year earlier.

Opinion poll boosts Norway's far right

By Karen Fosell in Oslo

AN opinion poll has indicated that Norway's far-right Progress Party could establish itself as the country's second largest political party when the nation votes in the general election on September 11.

The poll saw the opposition Conservative Party slide by 1.5 percentage points to just below 20 per cent, its lowest level since 1978.

Mr. Hagen's first campaign speech was devoted to an attack on the "parasites" of the welfare state.

According to the latest poll, support for the minority Labour Party increased by half a point to 32 per cent in August.

Kiszczak seeks Walesa talks

POLISH Prime Minister Gen Czeslaw Kiszczak said at the weekend he wanted talks with Solidarity leader Lech Walesa on the country's political crisis...

EC currency competition suggested

By David Lascelles

EUROPEAN central banks should compete to provide a stable currency for the unified European Community market.

This idea is put forward in a study by the Institute of Economic Affairs as an alternative to the EC's long-term aim of monetary union.

Brussels bereft of Britons

BULGING with Belgians, thronging with Frenchmen, bereft of the British.

That caricature of the European Commission - or to be more precise, the relatively low proportion of British-born civil servants in key posts inside the Brussels executive is still giving cause for concern.

Strictly speaking, of course, Eurocrats are meant to forewarn national allegiance and work towards the common European good.

The low proportion of British-born civil servants in key posts in the Brussels executive is still giving cause for concern, writes Tim Dickson

The trouble lies further down the ladder in the key Administrative A grades, where there is no formal quota system and where, despite some notable successes by British applicants in the past few years, the British contingent is still significantly "underweight".

The edition of the Official Journal of the European Communities for December 27 last year illustrates the situation. It listed 322 British A grades, compared with 394 Germans, 373 Italians and 458 Frenchmen.

UK with 73. While the problem can be traced right back to the early days of British membership, and inadequate efforts to secure a quota system notably in the 1970s, the consensus of those involved is that it will only be solved by boosting British recruitment.

Evidence recently collected jointly by Ms Binns and her opposite number in the cabinet of Sir Leon Brittan, the senior British Commissioner, confirm similar Foreign Office findings that there is no particular bias against British candidates for the Commission's entry tests.

A senior British diplomat in Brussels yesterday said that the problem "goes back a long way", but insisted that the situation has been improving.

Opinion and Leader

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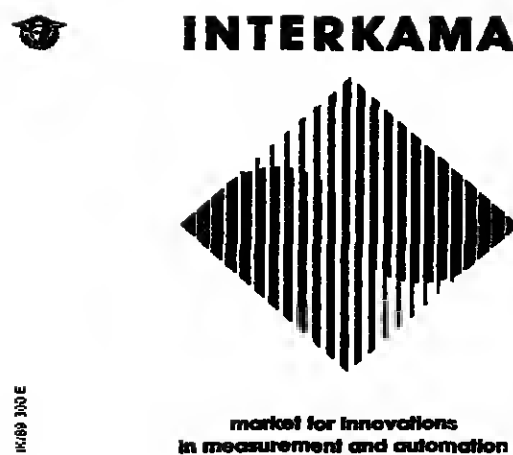
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market for innovations in measurement and automation

European motor industry heads for fifth record year

By Kevin Done, Motor Industry Correspondent

THE rate of growth in West European new car sales slowed significantly in July, but the European motor industry is still on track for a fifth year in succession.

According to industry estimates, West European new car sales were virtually unchanged in July at 1,008m, an increase of 0.4 per cent from the corresponding month a year ago.

Overall, sales remained virtually unchanged, because of continuing growth in France, Italy, Spain, Ireland, Austria and Greece.

For the first seven months of the year, sales were still higher than a year ago in 11 markets, including all five major volume markets - West Germany, Italy, France, the UK and Spain.



East German police try to pull Wolfgang Holzpfel, protesting at the 28th anniversary of the Berlin Wall, across the East-West Berlin border. West German tourists pulled him back.

Hungary may join EC by 2000 - Kohl

By David Goodhart in Bonn

MR Helmut Kohl, the West German Chancellor, believes Hungary could be a member of the European Community by the year 2000.

In an interview with Bild am Sonntag published yesterday, he said: "I believe that by the turn of the century other countries will have joined the EC, such as Austria, and possibly also countries from the East Bloc such as Hungary."

The West German government now seems certain to support Austria's application for membership despite the complications over the country's neutrality.

Serbs defy ban to rally in support of Milosevic

ABOUT 50,000 Serbs defied authorities in the central Yugoslav republic of Bosnia to rally yesterday in support of their controversial leader, Mr Slobodan Milosevic.

They came from across the country in thousands of cars and buses for the consecration of a Serbian Orthodox monastery, but the event took on political overtones amid festering quarrels between Yugoslavia's republics.

Bosnian authorities had vowed to crack down on any attempts to politicise the event and had banned Serbian flag-bearing quarrels between Yugoslavia's republics.

Czech groups plan protests

Six independent Czechoslovak groups have announced peaceful marches and silent protests for the 21st anniversary of the 1968 invasion to voice their desire for "freedom, democracy and human rights".

The six independent groups said they would have a "human rights march" on August 21.

Azerbaijanis in strike call

Thousands of Azerbaijanis gathered at the weekend in their capital of Baku and called for a "warring strike" if the authorities failed to meet their demands.

The occupying powers feel like a father who has allowed his 18-year-old son out for the first time with pocket money and the house key.

Move to boost Soviet grain

Soviet authorities have set relatively easy targets for collective farms in an experiment designed to increase grain production by paying for excess crops in convertible currency.

Farms will be allowed to spend their hard currency as they wish to obtain Western combines, food-processing equipment and other items, the newspaper said. It was not clear if the farms could choose to buy consumer goods.

Table with 4 columns: Volume (Units), Volume Change (%), Share (%), and Share (%). Rows include Total Market, MANUFACTURERS (Fiat, Volkswagen, Peugeot, Ford, Renault, Mercedes-Benz, BMW, Nissan, Rover Group, Toyota, Volvo, Total Japanese), and MARKETS (West Germany, Italy, United Kingdom, France, Spain).

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OVERSEAS NEWS

HEAD COUNT PUTS SUPPORT IN DOUBT

Congress may not back Brazil inflation move

By two Downey in Rio de Janeiro

DOUBTS were emerging at the weekend about whether Brazil's latest anti-inflation initiative, launched by congressional leaders less than two weeks ago, can win sufficient support in the two chambers of parliament.

President José Sarney has promised to table legislation enacting a number of the 30-odd measures this week. Among them are plans to privatise 14 state-owned companies, closures of government agencies and the purely symbolic gesture of the sale of ministerial mansions in Brasilia.

But some analysts now say a head count of congressmen suggests majority support could be in doubt. Left-wing parties have boycotted the package and many other deputies and senators are away from the capital, raising support for candidates in November's presidential elections.

Critics of the hurriedly announced proposals say the leaders of the two chambers, Senator Nelson Carneiro and Deputy Faes de Andrade, failed to take adequate soundings among their colleagues before announcing the initiative.

There is also expected to be considerable opposition in Con-

gress to the sale of profitable state-owned companies, such as Usiminas, a successful subsidiary of the heavily indebted steel-making group, Siderbrás. With price rises now at about 30 per cent a month, pressure has been mounting on the government from all quarters to introduce new austerity measures aimed at cutting its budget deficit.

Many fear it will be hard to keep the inflation rate below 50 per cent a month by the November 15 elections.

Mr Sarney's close advisers are said to have warned him that if he does not act now, he may be forced to follow President Raúl Alfonsín of Argentina and hand over power to his successor early.

Officially, the new president will be inaugurated on March 15, but there is widespread speculation that this might have to be brought forward to the beginning of January if inflation is out of control. Those sceptical of any serious action by Congress have noted that while Mr Sarney is offering to sell ministers' mansions, both Mr Carneiro and Dep Andrade have hesitated to give up their grace-and-favour official residences.

Canada forced to stop looking on the bright side

Even the optimists can see the slowdown lurking in the latest economic figures, writes David Owen

FOR at least seven quarters, Canadian economists have admonished Mr Michael Wilson, Finance Minister, for being too optimistic in his economic forecasts, and have projected that the country's lengthy spell of robust growth — entering its seventh year — was poised to splutter.

So far, they have been consistently and comprehensively wrong. According to revised figures released recently by Statistics Canada, real Canadian gross domestic product surged by 4.5 per cent in 1987 and fully 5 per cent last year. This expansion was half a point faster, in each case, than previously supposed.

At first glance, figures covering the 1988 first quarter suggest that the unblemished record has been maintained. Real GDP advanced a further 0.9 per cent. This is just 0.1 per cent below the average rate of quarterly growth recorded in 1988.

On closer inspection, however, the last batch of statistics really did contain strong pointers that a significant slowdown — or even a recession — is on the way.

Even optimists such as Mr William Mackness, dean of the Management Faculty at the University of Manitoba, allow that the first quarter figures are indicative of "some modest

slowing". Mr Mackness notes the less expected continuing deregulation and the impact of the US-Canada free trade agreement to keep the expansion going for a year or two yet.

Less sanguine observers believe that they could herald a pronounced downturn beginning later this year. "I think that we may now see a recession in the last quarter," says Mr Jeffrey Rubin, senior economist with Wood Gundy, the Toronto investment dealer.

There are several reasons — not least a recognition of the unusual longevity of the present business cycle — to explain why an ostensibly positive set of figures has been greeted so despondently

There are several reasons — not least a recognition of the unusual longevity of the present business cycle — to explain why an ostensibly positive set of figures has been greeted so despondently

on an annualised basis from the 1988 total of 223,000. Business investment has been climbing strongly since 1987 and may now have reached saturation.

A recent CanData survey indicated that construction of industrial plant in the first five months was down a sharp 33 per cent from year-earlier levels, although office construction was up 13 per cent.

Abundant corporate restructuring in response to fundamental structural changes such as those enshrined in the trade deal make this something of a wild card, however.

A survey of investment intentions released last week by Statistics Canada shows pri-

marcantly steady in recent weeks.

At first, this conviction was largely confined to labour leaders and provincial premiers concerned that efforts to cool the red-hot Ontario economy were stifling growth in their own jurisdictions. Then the all-party Commons finance committee and at least one bank economist added their voices to the chorus.

But at a recent Bank of Canada board meeting, the bank's governor warned of the "underlying pressures on inflation" in the Canadian economy, saying it was at "an important juncture".

He underlined his concern "about expectations of increasing inflation becoming built into economic behaviour", and said the central bank's monetary policy actions had "necessarily remained cautious" resisting downward market pressures on short-term interest rates.

The US Federal Reserve has recently indicated its concern about the dangers of recession in the US economy over those of inflation, with successive easings in the Fed Funds rate, followed by a decline in the prime rate.

But in Canada, with inflation rising to 5.1 per cent in June, it remains far from certain that the bank's governor will respond similarly.

Peruvian miners' threatened strike may cripple industry

PERU'S 70,000 miners, many earning less than \$2 (\$1.25) a week, plan to start an indefinite strike today that threatens to cripple the country's key industry, Reuters reports from Lima.

The miners' strike for better wages is the latest in a wave of labour strife facing President Alan García, already grappling with a leftist guerrilla insurgency that has killed 15,000 people this decade.

Mining is the backbone of the Andean nation's economy. Metals such as copper, lead and zinc account for nearly half of Peru's export earnings, and most large companies are dedicated to mining or have large investments in it.

Two strikes by the 70,000-member Miners' Federation last year started slowly but grew to paralyse the mines, devastating Peru's exports.

The miners' demands are basically the same as last year: collective bargaining, rights and better wages and benefits — but miners say their economic plight has worsened.

"The weekly wage for many miners is less than the price of a kilo of meat. We earn barely enough to subsist," Miners' Federation human rights secretary Vicente Evangelista said.

Officials at mining companies concede that wages are low but say most companies provide free housing, schools and health care for miners in their remote mountain villages.

For the past week, the companies have repeatedly used radio advertisements to exhort workers to ignore the strike.

"Miner, your family needs you. Don't let them stop Peru from working," says one of the messages paid for by the Mining Society, a business group representing most companies.

Many companies have offered generous bonuses for workers who ignore the strike.

Mining executives say they expect the strike to draw mod-

erate support in its first days. But it could spread and if it continues for several weeks it might cripple the industry.

"Our fear is that it could become like last year's strikes. If it drags on, pressure will grow on non-strikers to stop working," said a labour relations manager at one company.

"The final impact will depend on how long it lasts."

Mr García's government accepts the miners' list of demands in principle. But the Mining Society rejects it and has gone to court to stop the government putting it into effect.

Strikes are spreading at a time when Peru's battered economy, after showing a modest recovery in June and July, appears to be faltering again.

Doctors, refuse collectors, bank workers and court clerks have all stopped work this month to demand the government step in to bring wages in line with four-digit annual inflation. Other sectors have called strikes for later this month.

"Labour federations threaten to paralyse banks, close schools, stop mining production and paralyse agriculture in the Andes. All these actions only help to speed the collapse of the country's social and economic life," said the conservative newspaper Expresso in an editorial on Saturday.

Inflation is accelerating again after Mr García's government managed to cut it in half from nearly 50 per cent a month early in the year.

Exports rose sharply in the first half of the year, but a successful miners' strike could erase the gains.

Real wages have fallen at least 25 per cent this year, local economists say, and workers are getting restless.

As strikes spread, police using tear gas and water cannon have dispersed almost daily marches by workers demanding wage increases in the centre of Lima.

Ford to invest \$300m in retooling Mexican plant

By Richard Johns in Mexico City

FORD DE MEXICO is to invest \$300m over the next six months in a 25 per cent increase of capacity and the retooling of its export-oriented plant in Hermosillo, Sonora.

Its project is one of five recently approved and announced by the Ministry of Commerce and Industry (Secofi).

Ford's capacity is to be raised from 138,000 to 168,000. The plant is being retooled to produce the Mercury Tracer 1991 model, primarily for the US and Canadian markets.

Re-adaptation of the plant will involve it being closed down for about six months but there will be no lay-offs. The existing labour force will take part in the retooling and undergo retraining.

Ford says that the increased output capacity will create 750 jobs directly as well as many others in component plants. A company spokesman, Mr Nicholas V. Schaele, said that Ford had invested nearly \$2bn in Mexico over the past eight years. The Hermosillo plant was inaugurated at the end of 1986.

Ford has another motor assembly facility at Cuautitlan as well as engine-manufacturing plants at Hermosillo.

Ford is the third-largest vehicle producer in Mexico after Chrysler and Nissan, with nearly 19 per cent of the market.

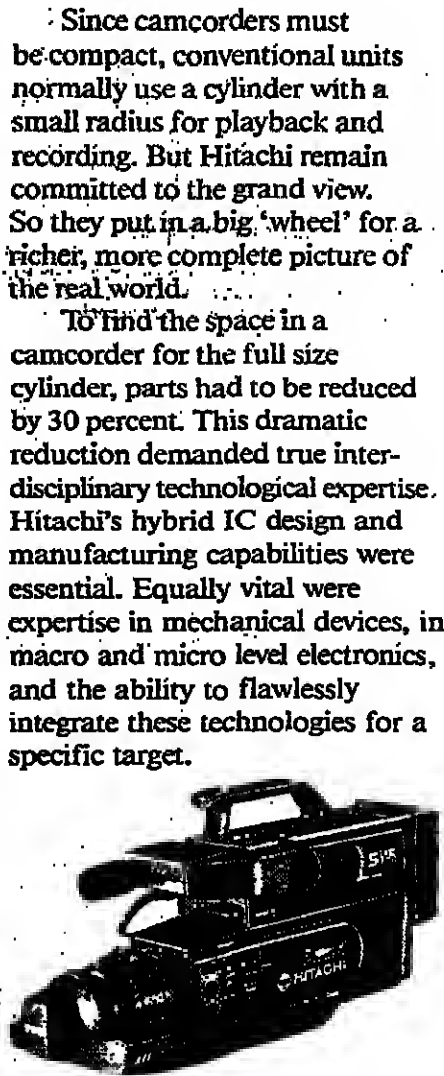
In 1988 the company almost doubled sales from 38,972 to 61,718 and in the first quarter of this year they were 15 per cent up on the same period last year.

Among the other projects which have been approved, Celulosa y Papel is to build two plants for producing paper and furniture. Mabe/Leiser, an electrical appliance manufacturer, is investing \$100m in the manufacture of gas cookers destined for the US market.

Freyer and Gamble is to spend \$26m to launch two new products, disposable nappies and sanitary napkins.

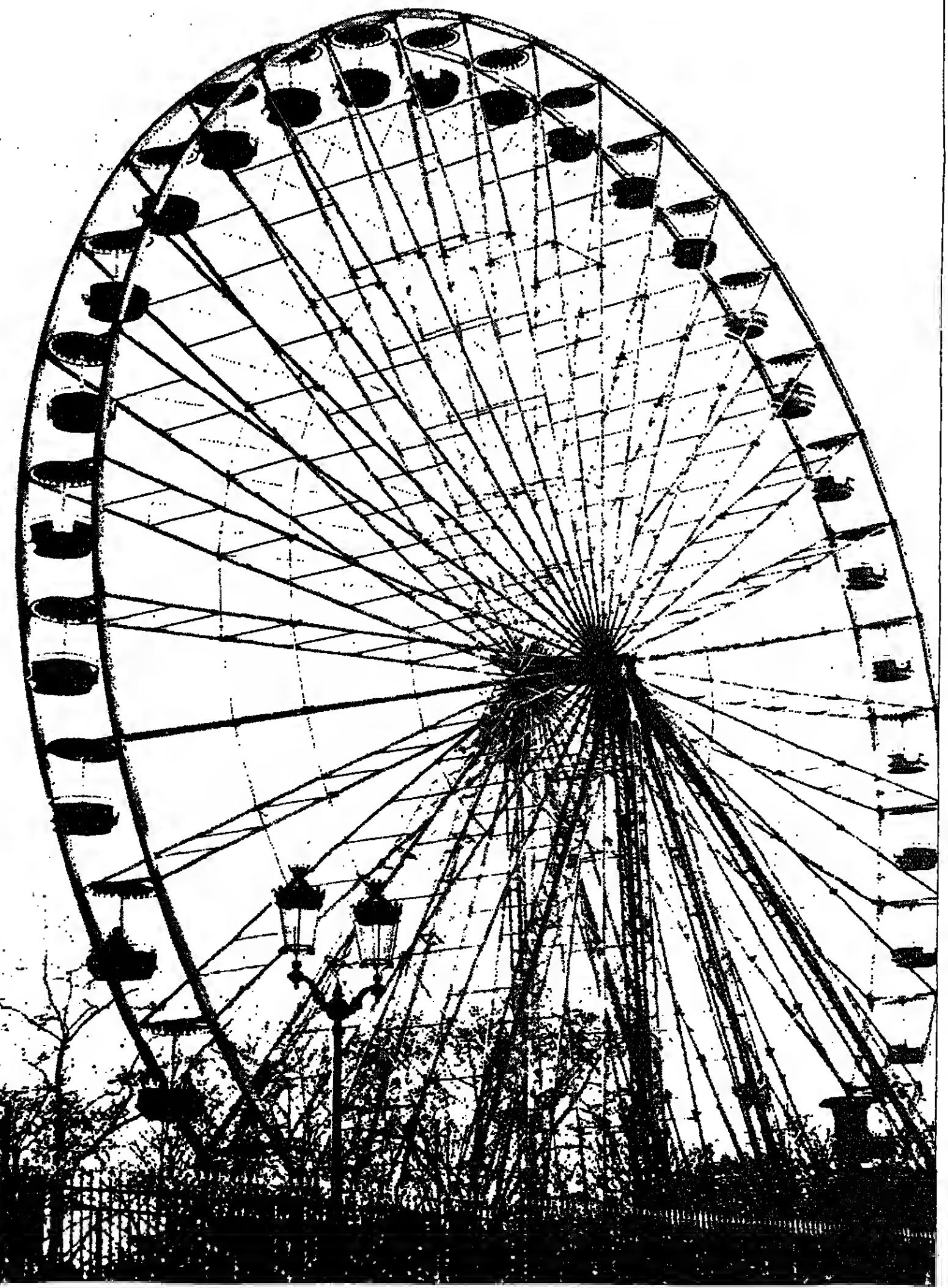
Secofi says that investments worth \$3.38bn have so far been approved this year, compared with a total of \$3.15bn for the whole of 1988.

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OVERSEAS NEWS

Bhutto set to assert authority over army

By Christina Lamb in Islamabad
PAKISTAN'S Prime Minister Benazir Bhutto is expected this week to assert her authority over the President and the military, which until recently ruled Pakistan...

Aoun's offensive brings Lebanon battle to crisis

Whatever the outcome, the latest clash is a likely setback for the general, Lara Marlowe writes

THE events of the past five days have brought the conflict in Lebanon between Syrian troops and Christian Lebanese General Michel Aoun to its most critical point in five months of artillery battles...



Gen Aoun faces setback

The Syrians may be closer to achieving their goal of Gen Aoun's departure than at any point in the five months of battle which started when he tried to assert authority over Moslem areas of Lebanon...

Searchers find bodies in Ethiopia air crash

SEARCHERS have found 13 bodies and the wreckage of the aircraft that vanished in south-western Ethiopia last week with US Congressman Mickey Leland and 15 others aboard...

Mr James Haley, a spokesman for the embassy, said it was not immediately clear if three people presumed dead were in fact missing...

Assam under curfew after violence

By K K Sharma in New Delhi
THE Indian Government at the weekend sent in the army and imposed a curfew in the north-eastern state of Assam, following reports that 150 people from the Bodo tribes were killed in four days of violence...

French initiative is a risky step

Paris is bravely shouldering a thankless task, George Graham writes
BY LAUNCHING a new diplomatic initiative over the weekend aimed at winning a ceasefire in Beirut, France has once again taken the risky step of involving itself in the tribal and seemingly endless conflict that has torn Lebanon apart...

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Australian pilots' strike hits flights

By Chris Sherwell in Sydney
AFTER the air traffic controllers and a group of engineers, it is the turn of Australia's domestic pilots to disrupt the travel plans of people struggling to fly round this vast continent...

More US phone workers strike

Another 35,000 telephone workers struck in five US states on Saturday, bringing to 21 the number of states with work stoppages at local phone companies...

Four Maldivians sentenced to die

Four Maldivians were sentenced to death for their part in a constitutional attempt to overthrow the Maldives government, official sources in the capital, Male, said...

Sudan's junta starts trials

Sudan's new military junta has put on trial the first senior figure of the civilian government it overthrew, Reuter reports from Khartoum...

PIAGET advertisement featuring a watch and the text 'The latest "Dancers" and all other models AVAILABLE DIRECT FROM The PIAGET salon 14a NEW BOND ST. LONDON W1 01-409 2925'

Indian students face testing times

K. K. Sharma reports on the scramble for places at university
RAHUL Gandhi, 18-year-old son of the Indian Prime Minister, has been admitted to the prestigious St Stephen's College of the University of Delhi on the strength of his record for proficiency in rifle-shooting...

Table with 5 columns: Country, June '89, May '89, Apr '89, June '88, % change over previous year. Includes US, Germany, Japan, UK, Italy, France, Netherlands.

Tunis orders 10% price rises on subsidised foods

THE TUNISIAN Government has ordered price hikes on subsidised foodstuffs to try to rectify a chronic deficit, AP reports from Tunis...

S Korea opposition calls an end to co-operation

SOUTH KOREA's top opposition party yesterday declared virtual political war against President Roh Tae-woo after the Government accused the party's leadership of implication in a North Korean spy case...

GRANVILLE SPONSORED SECURITIES advertisement with a table of stock prices and company names.

UK NEWS

Going in to BAT for the public interest

Michael Cassell on the impending political storm surrounding the bid by Hoylake

ONLY ONE element appears to be missing from the £13.5bn saga unfolding around BAT Industries - a good, old-fashioned, political row. It may, however, be brewing nicely on both sides of the Atlantic.

In Washington, more than 200 members of Congress have stepped in to attack the plan by Sir James Goldsmith and his friends to "liberate" the tobacco-based conglomerate from alleged atrophy and decay. At Westminster, only the timely arrival of the summer recess has managed to temporarily keep the lid on the affair.

The attempted takeover and the issues it raises have all the ingredients for creating a political confection calculated to tempt the taste buds of any self-respecting MP, for past causes as diverse as Bowring and Pilkington, now read BAT. Given BAT's presence around Britain, under a variety of household trading names, dozens of MPs have a direct constituency interest in its fate.

The extensive involvement in the bid of overseas participants - Mr Kerry Packard has already been described by one Labour MP as "the Australian gentleman in the stocking mask" - introduces a suitable touch of xenophobia.

In addition, the leveraged nature of the offer, together with the use of what Tory ministers call "subordinated debt" but what everyone else labels "junk bonds", has raised questions about the acceptability of a form of financial engineering that could get the City a bad name.

Overlying all these considerations is the challenge posed to the Government's policy on takeovers, mergers and demergers by a debt-financed mega-bid on a scale that potentially leaves no business safe from hostile predators.

The Confederation of British Industry has already said that one Hoylake-scale bid could win control of 25 per cent of Britain's manufacturing exports.

With ministers already accused of abdicating responsibility for the long-term restructuring of British industry to companies intent upon maximum, short-term profit, the BAT bid brings a number



Nicholas Ridley, left, and Sir Giles Shaw: clash looming over the public interest implications of the proposed takeover and the role of the Monopolies Commission

of corporate and public interest issues to the fore.

There is concern among members of all parties about the bid and its wider implications, not least some Tories. A leading critic of the Hoylake bid and of the methods being used to pursue it is Sir Giles Shaw, the former Trade and Industry Minister.

He has told Sir Gordon Borie, the Director General of Fair Trading, that the extent to which a stock market based on an equity system could be turned into one run on debt is a matter for legitimate public interest.

Sir Giles, who seems certain to attract the support of some of his Tory backbench colleagues, believes that if the

Monopolies and Mergers Commission ruled that there were no public-interest implications for the bid, there should be some form of mechanism introduced to prevent the spread of leveraged takeovers.

Dr David Owen, the leader of the Social Democratic Party, has already produced a policy paper on leveraged buy-outs, subtitled Corporate Greed and the National Interest.

His party believes it is time for what he describes as a "clear signal" to the market that the UK will not tolerate the development of Hoylake-type techniques until a comprehensive review leads to a coherent policy on the issue.

Not only does the SDP want the bid for BAT referred to the

commission but it says the Government should make automatic the referral of any highly leveraged takeover proposal in excess of £500m, regardless of the impact on competition.

Labour believes the struggle for BAT will pave the way for a flood of asset-stripping, leveraged-based deals in Britain, making debt-laden companies acutely vulnerable to recession and offering no perceptible improvement in corporate performance or efficiency.

The net result will be the sort of "short-termism" that the Government's critics accuse it of encouraging.

Well before Hoylake's emergence, the opposition had already decided that the onus of proof in large takeover bids

should be reversed, with predators having to demonstrate that bids were in the national interest before being allowed to proceed.

According to Mr John Garrett, a member of Labour's trade and industry team, who wants a referral to the commission: "The Norman Tebbit doctrine of making the criteria for the takeover of companies relate only to competitiveness is not enough and is certainly inadequate in bids such as this".

The odds, however, on the Government's insisting on a full investigation of the bid seem remote. Ministers also seem content that, far from having to develop new strategies to cope with the latest financial phenomenon, existing legislation will suffice.

The ultimate decision on whether the bid to buy BAT will go to the commission will rest with Mr Nicholas Ridley, the new Trade and Industry Secretary and a man not best known for his wish to interfere with the workings of the market. Only where private decision-making runs counter to the public interest, a tough one to prove, might his code of non-interference be temporarily suspended.

Mr John Redwood, Mr Ridley's equally new right-hand man and the minister responsible for corporate affairs and competition policy, has already made clear that his department will not normally regard a high degree of leveraging on its own as the basis for a reference.

In the past, the Department of Trade and Industry has refused to refer some leveraged bids to the commission, preferring to believe that those people with money at stake are best placed to decide on the merits or otherwise of any offer.

Mr Redwood is known to support the philosophy, believing that any other approach also effectively establishes the Government's right, at some point, to step in and requisition shareholders' rights.

By the time Parliament resumes in mid-October, the fate of BAT might still hang in the balance or it might have been decided.

Whatever the position, given half a chance, Westminster will be itching to rejoin the transatlantic battle.

Disputes threaten launch date of electricity sell-off

By Max Wilkinson, Resources Editor

A SERIES of unresolved disputes in the electricity industry has forced the Government to consider postponing its privatisation plans for at least six months.

The industry has told the Government that it has no chance of meeting the original timetable under which a dress rehearsal for the new wholesale market in power would have started in October.

Some senior professionals even believe that in their present state the systems planned for continuously buying and selling power could prove unworkable.

Mr John Wakeham, the new Energy Secretary, will be considering the need to postpone privatisation of the industry as one of his first tasks when he returns from holiday.

Major difficulties have arisen from detailed negotiations between the two halves of the

industry - generators and distributors - about the contracts which must be established between them.

Under the Government's plans, two generating companies, National Power and PowerGen will own the power stations and supply electricity to the 12 area boards which will become private distribution companies. Disputes have arisen about whether these contracts should be allowed to use surplus capacity to poach the distribution companies' larger industrial customers.

As discussions continued it became clear that this issue raised fundamental and technical questions about the contracts and about the day-to-day operation of the wholesale electricity markets, called "pools".

However, computer programmes are now almost completed for operating the pools according to the original specifications drawn up a year ago.

The industry also has to resolve tough problems about nuclear power stations. Mr Cecil Parkinson, the previous Energy Secretary, announced last month that the older Magnox nuclear reactors would not, after all, be sold. But Mr Wakeham has to decide who will run them and how the operator will be paid.

According to the programme for the sale, the electricity companies would be established in January with the Government as sole shareholder.

THE UK gas industry is to hold talks in the next few weeks on ways of promoting greater efficiency in the use of gas by industry, commerce and the household prompted by sections of the Electricity Act under which electricity suppliers are to be privatised over the next two years.

Failure to exploit information science prompts top inquiry

By Alan Cane

BRITAIN'S biggest companies are being asked to take part in a project which will seek to explain why so few of them exploit information technology effectively and to put forward practical solutions to what is now recognised as one of the country's most intractable business problems.

The leaders of the project, called Impact, are looking for 40 of the UK's top 100 companies to invest up to £30,000 (£48,000 each) - and a lot of time and effort - in two joint ventures.

The first will investigate the gulf in understanding between general management and data processing management; the second will measure the effectiveness of investment in information technology (IT).

The project will be managed by the National Computing Centre (NCC). Senior executives who have agreed to sit on its advisory board include Sir

Bryan Carsberg, director general of OfTel, the telecommunications regulatory body; Mr John Heywood, deputy chairman of Hambros Bank; Sir Patrick Meany, chairman of Rank Organisation; and Mr Hugh Norton, managing director of British Petroleum.

A measure of the seriousness of the issue is the amount of time and effort they have agreed to commit. One top banker who wanted to participate withdrew because of the amount of direct involvement that would have been required.

Companies taking part in the project would be expected to share their experiences through seminars and discussion groups. "Health checks" would be instituted to assess a company's IT "fitness." Academics from Henley Management College, Templeton College, Oxford and Salford University will be contracted to help with the analysis.

'Majority' of workers women by year 2000

By John Gapper, Labour Correspondent

WOMEN will form a majority of British workers by the turn of the century, according to a new projection by the Henley Centre for Forecasting.

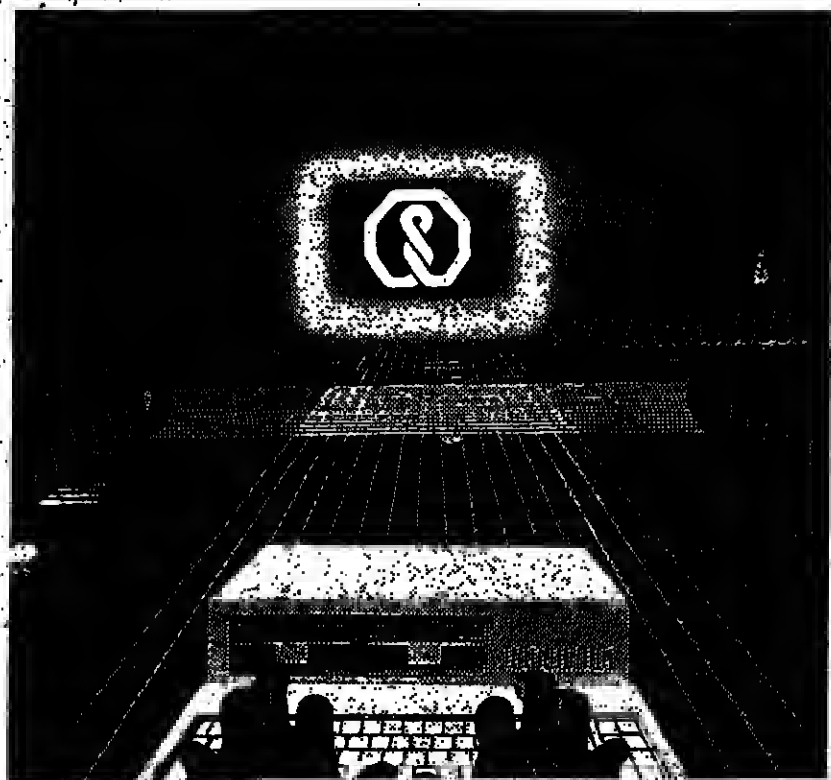
The Government has forecast that women will stay well below 50 per cent of the labour force.

The centre says a continued shortening of the break from work taken by women having children, together with a rise of 400,000 in the number of women in professional occupations by the mid-1990s will tip the balance.

The centre says companies will have to provide more child care for workers to attract women - many of whom would return to work if such facilities were available.

"Women will want to return to work, and perhaps more quickly than they have done in the past," says the report.

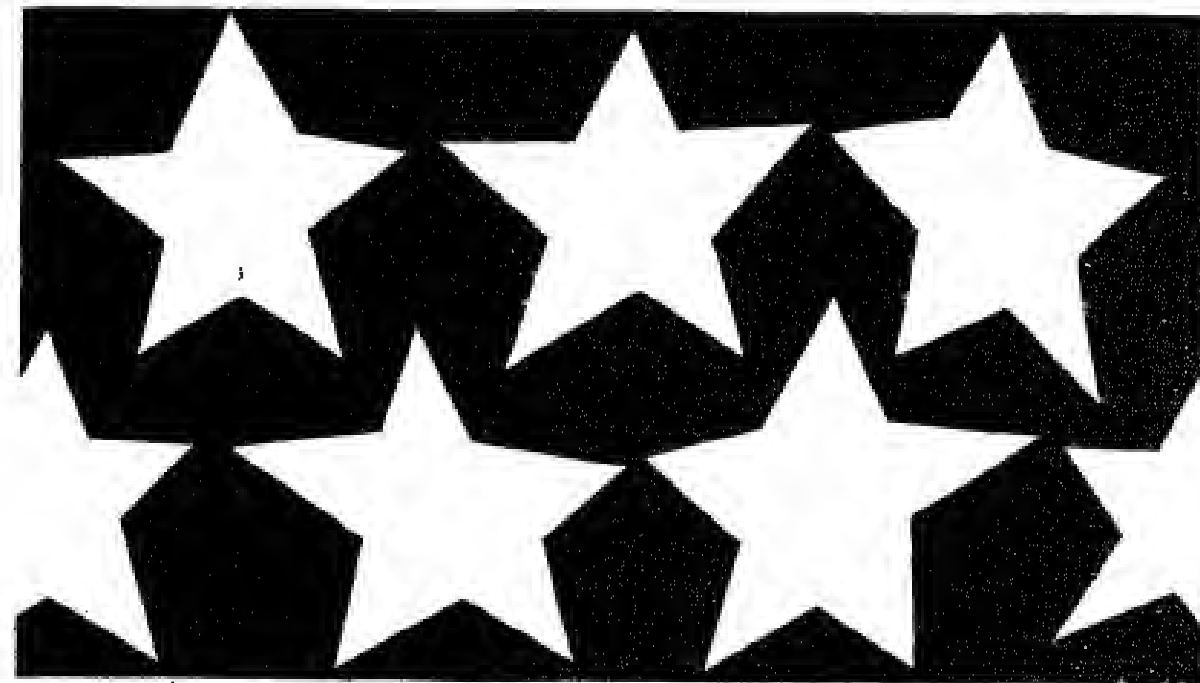
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AMERICAN NEWS

Mulford backs Argentine reforms

By Gary Mead in Buenos Aires

MR David Mulford, the US Assistant Treasury Secretary, has given cautious backing to President Carlos Menem's plans to reform Argentina's ailing economy. It is the first indication of US government approval for the five-week-old administration's efforts. "If Argentina applies the correct measures, opens its economy, makes tax reforms and can privatise, it will be a candidate for support under the Brady Initiative," said Mr Mulford yesterday in Buenos Aires. "I am impressed by the speed with which the Menem government is doing things."

ment with its bank creditors. Until this week, Argentina had been ruled out of the scheme by US government officials. Mr Mulford is also believed to have indicated US Treasury readiness to consider extending a credit bridge of perhaps \$500m to Argentina, as part of an overall package of foreign financial support from the International Monetary Fund and other multilateral lending agencies. However, it is clear that his gesture of support, and in particular the reference to Argentina perhaps becoming a candidate for relief on some part of its \$60bn foreign debt, is still tied to the results of President Menem's reform programme. Soon after taking office President Menem announced an economic emergency programme containing many of the elements mentioned by Mr Mulford as being basic requirements for full US Treasury backing. However, that programme has been considerably watered down by opposition in Argentina's Congress and has yet to be put into practice in any of its elements. President Menem's plans are facing obstacles from within his own opposition Radical party. According to Mr Domingo Cavallo, Argentina's Foreign Minister and a trained economist, the country is \$4.4bn behind in interest payments on its overall foreign debt. At the beginning of June this year, US banking institutions were required to write down Argentina's debt to "value-impaired" status, which means in part that substantial arrears payments ought to be paid before commercial banks can lend any more funds. Nevertheless, a recent two-week visit by an IMF team indicated at least an improve-

Menem cools speculation over military amnesty

By Gary Mead

PRESIDENT Carlos Menem has sought to dampen speculation that he is about to announce a general pardon for military personnel involved in the so-called "dirty war" of the 1970s. "Tomorrow he will travel to Yapeyu in Corrientes province to attend a ceremony marking the death of General San Mar-

tin, one of Latin America's most revered nineteenth century military figures. President Menem was expected to unveil plans for a pardon or amnesty for about 20 senior military officers imprisoned or awaiting trial for responsibility for human rights abuses. "You want to get a date from me [for the pardon] but you are not going to get it," President Menem told journalists on Monday. He thus generated further speculation that, while the amnesty announcement is not imminent, the decision to make it has already been taken. There have been reports in the Argentine press that tomorrow Colonel Mohamed Ali Seineldin is to be allowed home from 18 months of military detention in a Buenos Aires barracks where he has lived since he led a four-day rebellion last December. That rebellion, prefaced by two others between April 1987 and January 1988, was staged to press home demands for an amnesty.

Bush targets drugs as domestic policy issue

By Lionel Barber in Washington

PRESIDENT Bush yesterday opened his campaign to curb drug abuse in America and signalled that he intended to make it a major domestic policy issue over the next several months. At a White House press conference, Mr Bush said he would unveil early next month a "comprehensive national strategy" to combat drugs. The programme would involve more Federal spending as well as greater international co-operation to check traffic in drugs coming from Latin America. Mr Bush noted that polls showed that 75 per cent of American people favoured tougher drug laws. "Drug abuse is a national menace and

Hammer wins pardon for election 'misdemeanours'

By Peter Riddell, US Editor, in Washington

MR Armand Hammer, oil magnate and friend of Lenin, has finally found something to champion in the citadel of capitalism. He has been pardoned by President Bush over his 1976 conviction for making illegal campaign contributions to President Richard Nixon's re-election campaign in 1972. Mr Hammer, 81, said he deeply appreciated Mr Bush's action in clearing his name. "Having spent my lifetime fighting injustice, this vindication reinforces my abiding faith in the American system of justice." In March 1976 Mr Hammer pleaded guilty to three misdemeanour violations of the campaign financing laws in giving \$54,000 in illegal contributions to the Nixon campaign. He was sentenced to a year's probation and a \$3,000 fine. The judge said he was not sent to prison because of his ill health; he appeared in court in a wheelchair. Mr Hammer, the chairman of Occidental Petroleum, has been seeking a presidential pardon for several years. Some prominent businessmen convicted of making illegal campaign contributions in 1972 were pardoned by President Reagan. These included Mr George Steinbrenner, the main owner of the New York Yankee baseball team.

Mexico's PRI unveils election law proposals

By Richard Johns in Mexico City

MEXICO'S ruling Institutional Revolutionary Party (the PRI) yesterday announced proposals for electoral reform which are clearly aimed at increasing its share of the seats chosen by proportional representation. In finally stating its formal position, however, the PRI did not set out to reduce the number of seats allocated by proportional representation - currently 200 out of the 500 in the Chamber of Deputies - as the opposition feared and expected it would. The PRI is proposing to double the number of senators from 64 to 128, four for each state, with three to be elected by direct majority and one on the basis of proportional representation. The third proposal is for a strengthening of the powers of the Federal Electoral Tribunal as an independent arbiter. This is an attempt to eliminate disputes of the kind which erupted after the PRI-rigged general election of last year. The legislature is scheduled to meet in an extraordinary session on August 28 to debate reforms of the Federal Electoral Law. These have been under discussion during the last six months by a multi-party committee. Any changes have a crucial bearing on the outcome of the mid-term elections in the summer of 1991. The PRI proposals, if implemented, will involve amendments to at least 11 out of 136 articles of the constitution. But they, in turn, would require approval of a two-thirds majority of the Chamber of Deputies where the PRI has only 280 seats. Proposals outlined by Mr Luis Donaldo Colosio, national president of the PRI, for strengthening the powers of the Electoral Tribunal do not seem to meet the demand of the opposition that it should be an autonomous body divorced from the PRI. Last week the Party of the Democratic Revolution proposed that 250 of the members should be elected under the system of proportional representation, which in the last general election favoured the opposition parties and helped them to win 240 seats.

Bolivia's political odd couple search for unity

Barbara Durr on the task facing President Paz and his ally, the former military dictator who once imprisoned him



President Paz: on a tight financial leash

ON the new Bolivian government's first day of business on August 8, Mr David Blanco, its well-regarded Finance Minister, was already pondering the circumstances under which he would resign. He said he would leave the ministry if President Jaime Paz Zamora attempted to raise wages without new revenues. Mr Blanco's warning indicated that the road ahead will probably be bumpy for Bolivia's "national unity" government. The battle will be over continued tight fiscal management or greater social spending and a state-led economic reactivation. The Finance Minister maintains links with his old professor at Harvard University, Mr Jeffrey Sachs - who helped design Bolivia's economic programme under the previous government and now advises President Carlos Menem of Argentina. He is also a member of the conservative Nationalist Democratic Action (ADN) Party, led by retired General Hugo Banzer. The ADN is governing in an unexpected alliance with President Paz's social democratic party, Movement of the Revolutionary Left (MIR). ADN believes in an export-oriented, free market model, while President Paz is sensitive to pressures for better wages (unemployment is running at over 20 per cent) and more protection for national industry (which is at under 50 per cent capacity). President Paz, though personally popular, is in a sense the government's principal liability. He is associated in the minds of Bolivians with the disastrous government of Mr Hernan Siles Suazo from 1982 to 1985, when inflation ran to a world record 25,000 per cent. Mr Paz was vice-president. Since 1985, Bolivia, once regarded as South America's perennial basket case, has made a remarkable economic turnaround. Under President Victor Paz Estenssoro, the leader of the centrist party National Revolutionary Movement (MNR), Bolivia halted hyper-inflation and resumed economic growth. The social costs have been high but accu-

barably until 1978. Among those imprisoned and exiled during his regime was Mr Paz. Mr Paz, on the other hand, is trying to distance himself from his radical Marxist beginnings, which were the key to his founding the formerly leftist MIR in 1971. Gen Banzer appears to be the power behind the throne. He presides over the Government's chief policy making body and his party has nine of the 18 ministries, including Finance, Defence, Foreign Affairs, Mining and Agriculture. To boost confidence in his government President Paz and his ministers have repeatedly said that they will not change the successful economic programme of the former government. The exchange rate for the Boliviano, the local currency, will continue to be set by the free market, tariffs are to remain low and there will be no printing of money to cover greater state spending. Mr Blanco aims to increase government revenues by gradually raising taxes and prices for basic goods such as petrol as well as trimming the number of public employees and privatising some state companies. If there is more social spending, as President Paz has promised, it will have to come from health, education and basic development projects supported by multilateral banks. Bolivia intends to maintain its programme with the International Monetary Fund. Although the IMF only contributed \$60m to the programme, its approval of Bolivia's economic progress helps to maintain financial confidence. Mr Enrique Iglesias, President of the Inter-American Development Bank, pledged that his institution could disburse \$62m for development projects to the new Bolivian government over the next four years. Meanwhile, foreign investors will be looking for proof that Bolivia will continue its conservative economic management. The country's widely admired example of having made a difficult economic adjustment while preserving democracy is a tough act to follow for Mr Paz.

Hills to push US policy before Uruguay Round

By Nancy Dunne in Washington

THE US Trade Representative, Mrs Carla Hills, yesterday said that the US current account deficit may build a little "because of macro-economic factors driving it and the stronger dollar." Speaking at a briefing, she talked of the need to boost US productivity and domestic savings and said that the Bush administration is discussing proposals for a "well-constructed" individual retirement account programme. After six months on the job in which she concentrated on fulfilling the requirements of US trade legislation and renewing the steel quota, Mrs Hills is now preparing to embark on a series of foreign trips to preach US policy on trade liberalisation and to learn about the "economic and political problems of our trading partners" in an attempt to push along progress in the Uruguay Round of international trade talks. Next month she will be meeting with trade ministers in London, Paris, Bonn, Brussels and Bern; two trips to Asia are planned in the autumn. By the end of the year, she hopes each of the 15

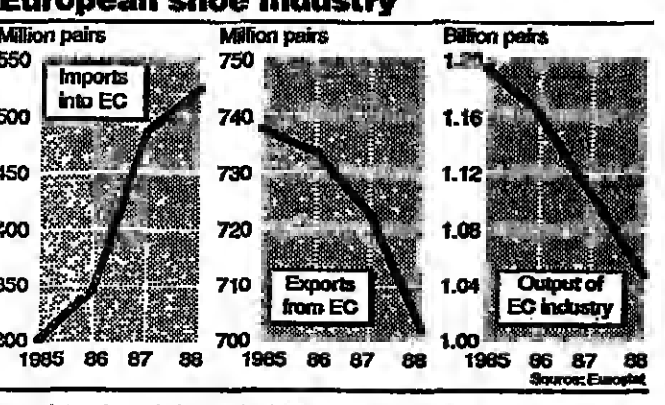
representatives from India, Brazil and Japan who she targeted for special negotiations under the so-called "Super 301" provision of the trade law. All three countries have refused to discuss US complaints under threat of retaliation, and other venues for the talks have had to be found. "All I care about is that we achieve liberalisation in areas where there are restrictions," Mrs Hills said. She implied that progress would be sufficient if the Super 301 targets move to change their restrictive policies in the context of the Uruguay Round. Mrs Hills said she particularly would encourage the Japanese Government to take strong enforcement measures against collusive practices. "The European Community is finding it difficult politically to talk about the elimination of trade-distorting subsidies in agriculture. We think European consumers and farmers would be better off to decouple the production of agricultural goods from payments." Mrs Hills said the US has met "a number of times" with representatives from India, Brazil and Japan who she targeted for special negotiations under the so-called "Super 301" provision of the trade law. All three countries have refused to discuss US complaints under threat of retaliation, and other venues for the talks have had to be found. "All I care about is that we achieve liberalisation in areas where there are restrictions," Mrs Hills said. She implied that progress would be sufficient if the Super 301 targets move to change their restrictive policies in the context of the Uruguay Round. Mrs Hills said she particularly would encourage the Japanese Government to take strong enforcement measures against collusive practices.

WORLD TRADE NEWS

European shoe industry fights for survival

Alice Rawsthorn reports on the results of rising competition from the Far East

THE European footwear industry is fighting for life against a flood of imports from the Far East and what appears to be indifference by the European Commission. "We must be realistic," said the head of one of Europe's biggest footwear firms. To the European Commission we are a small industry of little strategic significance. Officials can score political points by forcing through policies on textiles and electronics. But who cares about shoes? This year the European footwear industry has discovered exactly how sure-footed it is - the Commission considers it to be. For months its lobbyists have pressed for the introduction of restraints on imports of footwear from the Far East. And for months the Commission has procrastinated. The Commission is procrastinating over whether to take steps to regulate the influx of imports from South Korea and Taiwan which have inflicted a devastating blow to the European industry since the mid-1980s. Imports have posed a problem for Europe's footwear firms for years. But in the last three years the flow of imports into Europe has turned into a flood. The decline of the US dollar and the related Far Eastern currencies made it less profitable for manufacturers to



wear firms go out of business last year. The same scenario has been replicated in other European countries. There were more than 3,000 job losses in the West German industry in 1988. Even the Spanish industry, which enjoyed buoyant growth until the mid-1980s, suffered a slump in output. The European Confederation of the Footwear Industry sees import restraints as the only solution. For more than a year it has been lobbying the Commission for specific restraints on South Korean and Taiwanese imports, along the lines of those introduced by Italy and France last summer. Last year, the Commission conducted an inquiry to assess whether the introduction of import restraints was justifiable. The inquiry was completed earlier this year, but the Commission has yet to reach a decision. The last of the meetings to discuss the inquiry's findings was held at the end of July. The meetings will resume in September. Mr Roland Smets, director of the confederation, does not expect a decision before the end of the year. However, there is a growing body of opinion in the European industry that the introduction of restraints against South Korea and Taiwan alone would not be adequate. The experience of the French and Italian industries suggests that, faced by barriers to entry, the South Koreans and Taiwanese have sharply exported indirectly to France and Italy via other European countries with free access, like Belgium and Holland. Similarly South Korea and Taiwan have expanded production to other Far Eastern countries, such as Thailand and Malaysia, where there are no restrictions on entry to the French and Italian markets. France, for example, saw only a slight increase in South Korean imports from 22m to 25m pairs last year. Imports from Taiwan actually fell from 13m to 11m. But the rise in imports from Thailand and China ensured that imports rose by 10 per cent to 102m pairs of shoes. The extension of import restraints across the Community would end the "indirect" exporting within Europe. Yet the confederation is convinced that the only way to tackle the relocation of production is to introduce restraints not only to South Korea and Taiwan, but to all the Far Eastern footwear producers. This may mean that the industry has to wait even longer for the Commission to make up its mind. And while it waits there could be yet more company closures and more job losses.

Japan's car sales set for surge

By Kevin Done, Motor Industry Correspondent

JAPANESE car makers are set to capture around 18 per cent of the West European car market by 1995 compared with 11.3 per cent last year, according to a study by the Economist Intelligence Unit. The report on the passenger car market in Western Europe says that the Japanese share of the market will rise because of increasing local production by Japanese car makers and imports from Japanese assembly plants in the US. The share taken will rise rapidly, even if the Japanese industry continues to follow its policy of restraint on direct exports to the EC which was implemented in 1986. The EIU study says that on the basis of current plans around 500,000 Japanese cars and four-wheel drive sports utility vehicles a year could be built in Europe by 1993, rising higher as Toyota and Honda build up output from their planned assembly plants in the

UK. Imports from other sources will also rise progressively between 1990 and 1995, with imports from South Korea expected to show the biggest increase. South Korean cars, chiefly from Hyundai, account for only 0.2 per cent of the European market last year, but this share could rise to as much as 3.5 per cent by 1995. Overall imports currently account for 13 to 14 per cent of the West European car market. By contrast imports accounted for only 3.4 per cent of the Japanese domestic market last year - although sales of foreign cars in Japan are currently rising quickly while imports accounted for as much as 35 per cent of US new car registrations in 1988, including imported cars sold under US badges. The EIU report forecasts that the traditional European car makers (including Ford of Europe and GM Europe) will account for only 74 to 75 per cent of West European new car sales by 1995, compared with 86.3 per cent last year. East European cars, led by Ladas from the Soviet Union and Skodas from Czechoslovakia, are also forecast to increase their share from 1.8 per cent last year to around 2.5 per cent in 1995. The EIU study forecasts that overall new car registrations in Western Europe will climb by around 3.5 per cent this year to a record of just over 13.2m. It suggests that new car prices will rise by less than the rate of inflation during the first half of the 1990s, despite the additional costs facing manufacturers to comply with exhaust emission regulations. The Passenger Car Market of Western Europe: Developments and Prospects. The Economist Intelligence Unit, 40 Duke Street, London, W1A 1DW. Price £265, West Europe, £255 in America, £268 rest of world.

Turkish textile trade blames government for decline

By Jim Bodgener in Ankara

FALTERING SALES are worrying Turkish textile exporters, whose business has been the main engine of Turkey's export drive in the 1980s, resulting in a record current account surplus of \$1.5bn (£937m) last year. The Textile Exporters' Association is laying the blame for the decline at the door of government policies. Exports at the high-value added ready-wear end of the market are estimated at about \$1.1bn in the first seven months of the year. Although this is an increase of about 5 per cent on last year's \$1.05bn for the same period, this is sluggish when compared with the annual increases of between 15 per cent and 20 per cent recorded in recent years. Ironically, it is not EC quotas - the bugbear of the past - that most preoccupy Turkey's textile exporters, but lack of support from their government. The Government phased out the last lucrative export tax rebate incen-

tives in mid-April, and exporters throughout Turkey are feeling the pinch. On top of this, prices for domestic raw cotton have shot through the roof by 40 per cent in the main buying season between March and May. Again, this is blamed by manufacturers and traders on the Government, for liberalising exports of raw cotton without making provision for domestic stock. Some financiers argue that market forces are at play, feeding through from a slump in domestic sales due to the attraction of earning high interest rates on deposits, which fed through into decreased demand for foreign currency to pay for imports. Added to that, foreign exchange abounds because of the account surpluses. But the textile exporter's gloom tallies with the general despondency among Turkey's export houses, which feel that the Government has abandoned them while the current account

is riding high. It may not for long. Ominously, in May total outward visible trade dropped by 14.9 per cent to \$702m, compared with the same month last year. The figures for the State Institute of Statistics had been delayed until early August - compared with the usual two month lag - because of a dispute with the Finance & Customs Ministry, which estimated sales as being much higher at more than \$800 million. Meanwhile, some companies predict the Government may be forced to institute a mini-devaluation in the autumn to stave off the decline. Others say that revisions in import tariffs, and the new mobility of foreign exchange after recent government moves to make the lira more freely convertible, will bring exports around on their upward track. To compensate the big foreign trade corporate companies for their previous 6 per cent perk on top of the old rebate system, the Government will give them a 2 per cent premium. This is to help these companies retain the business of smaller companies, which exported through them for a slice of the old rebate privilege. Quotas in the EC and North America will still be constraining this year, despite the lower export growth. Seven months into the year, for example, most categories of EC quotas have been used up by 60 per cent and more. The ever adaptable textile industry in Turkey - perhaps the most profit motivated with its numerous lowly-paid sweatshops - has been restructuring in recent years to earn the most from quotas by shifting towards better quality and higher value-added in ready-wear. The association is confident it can overcome the trough. "This is a very dynamic sector," says Mr Tuncer Ogun, its secretary general. "In one or two months the rate of growth will increase again."

Official 50

MANAGEMENT

Chambers of commerce in the UK

Opportunity to grasp the training nettle

Hazel Duffy explains how local groups are being put to the test

The heyday for Britain's chambers of commerce was late in the last century. Booming industrial cities all sported chambers where local industrialists and businessmen discussed common topics and generally socialised.

But they declined in importance as business became more centralised, and as the north of England, which was the main core of the movement, lost wealth and population.

Now, a new opportunity presents itself. The Thatcher government wants to devolve responsibility back to local level for things like training, closer liaison between business and schools, and the needs of the community generally. The chambers of commerce, which are independent and local, and have governing bodies elected by members - provide ready-made business groups.

But they are not uniformly equipped to do the job. "The Government's impetus has highlighted the weaknesses of many chambers, and the strengths of some."

Thames/Chiltern and Walsall are highly motivated chambers. The first is relatively young, and based in the south of England. The second has been going for a century, but has shown itself able to adapt to the changes in industry in the West Midlands.

Jim Henderson, the training manager of John Crane (part of the TI group), feels that the main benefit to him of Thames/Chiltern is its training school. The Slough-based chamber, in this managing agent for government schemes, which train young people and adults. It runs engineering apprenticeship courses, and specialist courses, like that for forklift truck drivers, which most companies cannot justify setting up on their own.

The area covered by this chamber is part of the highly prosperous M4 corridor. Prosperity brings its costs. Labour shortages were common even in the recession. Today, they are severe.

Recruitment and training

are big issues among employers. The chamber provides a forum for discussing the issues which occupy the minds of local training managers of both big and small companies.

Boddy Symes, who runs the family-owned Metal Colours electro-plating company, first became involved in the Thames/Chiltern chamber because he wanted "to do something for charity," and has achieved this through an organisation which puts something into the community.

President of the chamber a few years ago, he has never contemplated joining the Confederation of British Industry. "It is a pressure group, it does not help smaller companies."

Now, rather to his surprise, he finds himself getting something out of the chamber. "It is an open window on the world." For instance, he agreed to take part in a government industry scheme whereby a civil servant from the Department of Trade and Industry sits in on board meetings as a guest. Both sides learn - about business, and about Whitehall.

The chamber is currently setting up a scheme to keep subscribers better informed on business in the European Community, which Symes thinks will be very helpful. He wants to know when public sector contracts are coming up in other countries, so that he can tender for business.

Chambers have tended to be used most by smaller companies as a source of information and provider of services. One of the most successful services has been a facilities line in the chamber offices for companies which do not want to invest in a private fax.

The Government has encouraged chambers to organise export missions; last year the Department of Trade and Industry decided to channel its export advisory services to companies through chambers.

But, the big catch for chambers would have been the new employer-led Training and Enterprise Councils. "Everything that the TEC will be involved with, we are involved with on a daily basis," says

Leslie Robinson, the director of Thames/Chiltern.

Norman Fowler, Employment Secretary, decided that business people, as individuals, must be in a two-thirds majority on the councils. However, while some chambers undoubtedly have the professionalism to form a TEC, many do not. This situation puts a brake on the ambitions of the best.

Robinson was instrumental in putting together the group which bid, successfully, to be nominated as the TEC for the Thames Valley area.

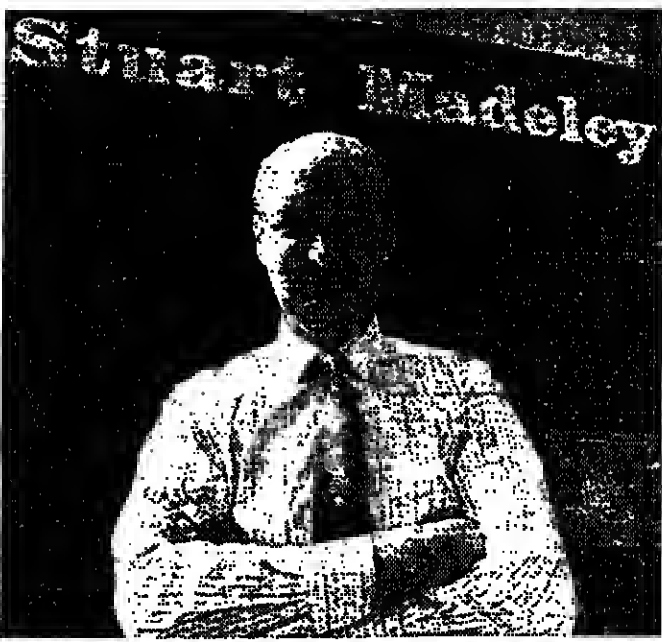
In another part of the UK, the Walsall chamber, which already plays a vital training role, also applied to be nominated as the TEC for its area.

The engineering industry has boomed in the north couple of years in this area north of Birmingham. This time, it is the smaller companies which have mostly benefited. The big companies closed down or moved elsewhere in the recession of the early 1980s. Their training schools went with them.

But the training centre at Wednesbury, which the chamber bought two years ago from the Engineering Industry Training Board, is now full with trainees from local companies. Their trim blue-overalls presence is both a mark of the return of the engineering apprenticeship, and the chamber's determination to promote the centre to local companies, most of them small companies which would not run their own training school.

The activities do not make a profit. But for David Frost, the director of the Walsall chamber, the use of money raised in other services to invest in engineering training is justified by the importance of the industry to the area.

Training for skills, such as leather work, is run by the chamber. Nick Madley's family has a leather goods factory in Walsall. He has just gone on to the governing council of the chamber, partly because he felt the industry should be represented.



Nick Madley has just joined the governing council of the Walsall chamber; he left his industry, leather goods, should be represented

He also runs a company which distributes Hong Kong-made sports goods, so far only in the UK, but he is about to embark on supplying Continental markets.

The chamber can help by providing names of the publishers of sports goods magazines in West Germany. He also looks to the chamber to take a lead on local issues, and likes the contact with other business people it provides.

Also in Walsall, Brian Lowe runs another family company, Lohr Tools, precision tool-makers. "They are a very helpful and co-operative bunch at the chamber. They know what they are doing," he says.

Lowe employs 25 people. He is hardly flush with time to research the Government's grants mechanism for industry, and the chamber provided him with the information.

Both Walsall businessmen have done stints for their trade associations which they think are necessary to represent their interests on issues affecting the sector, but cannot take the place of a good chamber of commerce on local concerns.

Walsall campaigned hard, for instance, when the Government decided to re-open discussion on the route of the orbital relief motorway proposed to relieve congestion on part of the M6. The new road is vital for the area's industrial survival; delay would have been disastrous. The Department of Transport agreed that the chosen route should stay.

While many companies show considerable enthusiasm for their local chamber, most are less committed. "We belong only because they issue the certificates of origin required by Arab League countries," said one. Others mention the export missions as useful for getting a look at new markets.

But the chamber movement is between where its ability to take on an organisational role is concerned. Many big companies encourage a subsidiary or branch to belong to the local chamber. They tend, however, not to play as active a part as do smaller companies.

Partly as a consequence, chambers do not have the national lobbying power of the CBI, nor the right-wing flavour of the Institute of Directors. They see their main lobbying target as local authorities, not central government.

Many chambers are federated to the national association. But some of the stronger chambers are not. There is nothing to prevent a chamber being set up by anybody. The title is not protected. Some which call themselves chambers of commerce represent groups of shopkeepers, more concerned with the opening hours of shops in their town than the level of training and skills in the area.

The "genuine" chambers clearly have a role which could be expanded. In the current political climate, the solution lies with their members, not with the Government.

Textiles

'Silk' that cuts a fine dash

In an occasional series on the Japanese reaction to the rising yen, Ian Rodger explains Toray's shift to upmarket polyesters

The astonishingly successful recovery of Japanese manufacturing industry from the negative effects of the sharp increase in the value of the yen three years ago continues to arouse debate both in and outside the country.

For some, it proves that the Japanese still use all sorts of tricks to protect each other from foreign competition. For others, it shows that they simply do not respond to macro-economic forces in the same way that others do.

However, whenever individual cases are examined, the causes of success tend to emerge as much more familiar and commonplace. Take the case of the synthetic fibres division of Toray Industries.

The Japanese textile industry was among the hardest hit by the increase in the yen, since it was already being challenged by low cost producers in Taiwan and South Korea.

Toray's response to this double threat came straight out of business school textbooks. It acknowledged that it could not compete any more in standard volume products, but it felt it could hold its own in higher value products by intensifying its effort to develop new fibres and fabrics, and that would enable it to maintain sales and profits.

Three years later, the results are clear. Toray has succeeded in developing a range of fine polyester fabrics that is well ahead of anything made by US and European, let alone Asian, producers. The new fabrics have all the desirable characteristics of silk plus strength, washability and economy. The company claims that its latest line, called Silk Royal, even delivers the hitherto unique swishing sound of silk rubbing against silk when the body moves.

These new lines have sold well not only in Japan but also in the US and Europe, causing some discomfort to local manufacturers. Earlier this year Courtauld, the UK textile group, acknowledged the lead held by Toray and other Japanese producers; it gave up its own effort to build up expertise in this sector and sold its Samuel Courtauld polyester weaving mills to the Japanese com-

pany.

As expected, Toray's overall volume of polyester fabric sales has declined in the past three years but, thanks to the new products, value has been maintained. "Our total export of fabric is down in volume because we stopped exporting some standard lines where we can no longer compete. We are concentrating on the top lines, and nobody can compete with our high quality polyester fabric," Kohei Sakamoto, Toray's executive vice-president, says.

Exports to Western Europe have dropped from 26m square yards in 1986 to only 20m square yards last year, but the value of these exports has held steady at Y8n a year.

Sakamoto acknowledges that there are differences in the way that Toray runs its polyester business from the practices of Western competitors, but there is nothing mysterious about these differences. They are to do mainly with the relations between the yarn spinners, such as Toray, and the weavers and dyers.

Japan's synthetic fibre industry grew in the early 1950s out of the silk industry and adapted its structure. The big companies concentrated on spinning yarn and then sent it out on a commission basis to dozens of independent weaving and dyeing companies in the Hokuiku area along the Japan Sea coast.

Because there was no immediate demand for the new fabrics, the two sides began working together to develop attractive products. This led gradually to what Sakamoto calls "production teams" of spinners, weavers and dyers that has continued to work closely together until today. "We help the weavers and dyers by testing new machinery for them, for example," Sakamoto says.

"In Europe and the US, a

fibre maker is just a fibre maker and a weaver is just a weaver. They are just client and supplier. It is a different attitude," he adds.

The teams are also working together to develop weaving techniques and dyeing procedures to achieve the colour and texture consistencies over huge volumes that big customers, such as Marks and Spencer of the UK, demand. "Our clients' requirements are getting stricter and stricter. We have done better than the European manufacturers because Japanese garment manufacturers and department stores have been very demanding. Sometimes they are too strict, but we have to meet their demands," Sakamoto says.

Toray itself has been concentrating on developing ever finer yarns and ways to produce them consistently. Endless experiments with extrusion shapes - along with changes in extruding temperature and pressure - ultimately produced the desired results. "The polymerisation process is also very important," Sakamoto says, as is purification of the polymer.

Toray intends to transfer its fine polyester technology to Samuel Courtauld as quickly as possible, but it will also maintain the thick polyester fabric lines being made by its new UK subsidiary. "I think it will take two years. We have to expand the factory for these lines. We do not want to stop the successful existing lines," Sakamoto says.

Meanwhile, Toray is back trying to develop more new fabrics. "The Taiwanese and Korean producers have caught up very rapidly. But we are trying to develop new specialties to stay ahead," Sakamoto says. "We are always trying to improve, to create new items. If we stay on the same level, it means we will fall behind."

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Synthetic Fibre Production by Region ('000 tons)

	1975	1980	1985	1986	1987	1988
Japan	1,021	1,357	1,403	1,356	1,337	1,349
S. Korea	263	536	812	862	969	1,114
Taiwan	235	558	1,024	1,232	1,391	1,435
US	2,445	3,242	2,894	2,919	3,094	3,147
W. Europe	1,896	2,163	2,569	2,554	2,563	2,556
Other	1,523	2,620	3,827	4,071	4,286	4,796
TOTAL	7,353	10,476	12,499	12,994	13,759	14,337

Source: Toray Industries

Prequalification of Contractors for the East Bridge of the Great Belt Link in Denmark (one of the largest bridges in the world).

A project is being undertaken in Denmark during the period 1987-1996 to establish an 18 kilometres (12 miles) permanent link across the Great Belt between the two Danish isles of Zealand and of Funen.

The Employer is Great Belt A.S., (A/S Storebæltforbindelsen), wholly owned by the Kingdom of Denmark.

Two major contracts have been awarded and the construction work has commenced. One contract is a double 8 kilometres bored railway tunnel between Zealand and Sprogø and the other contract is a 6.6 kilometres combined road and railway bridge between Funen and Sprogø.

The East Bridge is the third and last part of the 18 kilometres long Fixed Link across the Great Belt.

The invitation to submit tender for construction of a 6.7 kilometre long motorway bridge with four lanes and two emergency lanes will be sent to a selected group of contractors.

A preliminary date for submission of tenders is October 1st 1990 with expected commencement of contract early 1991.

Tender designs will include:

- A 1,200 - 2,000 metres main span, suspension bridge or a 900 - 1,200 metres main span, cable-stayed bridge.
- 30-45 approach spans, each 110-160 metres, in either concrete or steel.
- Substructure constructed as prefabricated floating caissons (founded directly on the seabed).

The Employer may divide the works into the following contracts:

- Substructure, possibly inclusive of main towers.
- Superstructure, of steel or of concrete.

Further, the tenderers may submit tenders based on their own alternative designs.

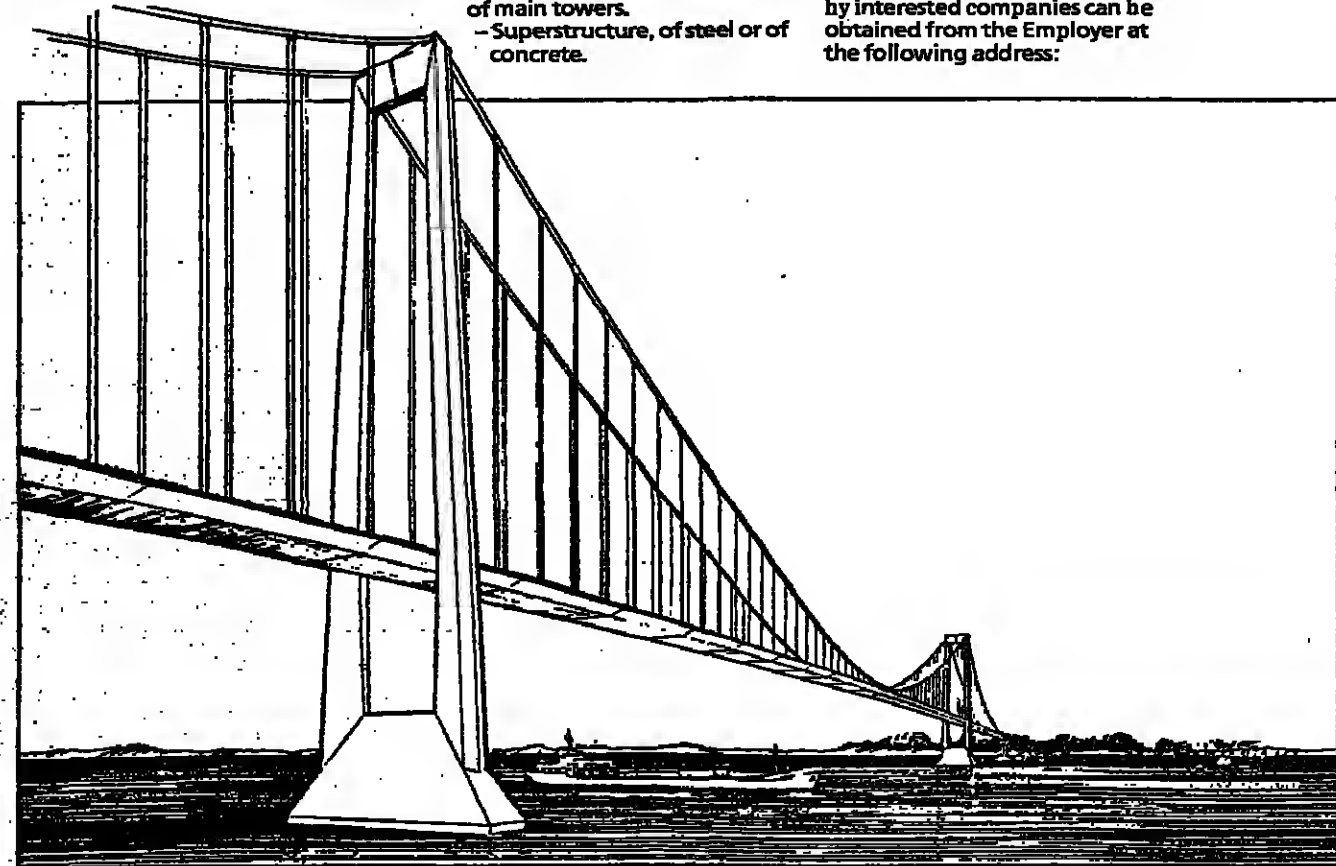
The request for prequalification shall state the contracts for which tenders will be submitted.

The works are expected to be constructed in the period from 1991 to 1995, for scheduled opening of the motorway by 1996.

Great Belt A.S. has advertised for prequalification in accordance with EEC directives.

In order to be considered, interested contractors must forward relevant documentation before November 20th 1989, giving details about capacity for this work with technical and economic qualifications as well as previous experience gained from other similar, large transportation projects.

Further information on the required documentation to be submitted by interested companies can be obtained from the Employer at the following address:



Great Belt A.S.
Vester Soegade 10
DK-1601 Copenhagen V
Telephone +45 33 93 52 00
Fax +45 33 93 10 25
Telex 21 690 bridge dk

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SUSPENSION OF BOND CONVERSION

NOTICE IS HEREBY GIVEN that the Bonds will not be convertible during the period 8 September 1989 to 15 September 1989, both dates inclusive, being the period during which the Share Transfer Books and the Register of Members of the Company will be closed for the purpose of determining shareholders' entitlement to the interim dividend declared in respect of the financial year ending 31 December 1989.

BY ORDER OF THE BOARD
SHIRLEY LOO-LIM (MRS)
GROUP SECRETARY
14 August 1989
Singapore

Notice to shareholders in
SOPHUS BERENDSEN A/S
Concerning delivery of
DKK 28,312,600 Bonus shares

Delivery will take place during the period from August 21 to September 1, 1989.

Rights will be traded from August 16 to August 29, 1989.

10 B-shares of DKK 100 each entitle the holder to receive 1 bonus B-share of DKK 100.

The bonus shares rank for full dividend for the 1989 accounting year.

Further information may be obtained from
DEN DANSKE BANK
New Issues Department
Heltmans Kjødal 12
DK-1085 Copenhagen K

The shareholder's instructions concerning the delivery of bonus B-shares may be given direct to the shareholder's bankers or stockbroker.

Saborg, August 1989
SOPHUS BERENDSEN A/S

BUSINESS SERVICES

Business Services advertising appears every Tuesday.

For advertising information please telephone
ADAM FUTERAN
01-873 3559/01-407 5763

COMPANY NOTICES

OLD COURT INTERNATIONAL RESERVES LIMITED
St. Peter Port, Guernsey

Notice is hereby given that the Sixth and Seventh Extraordinary General Meetings of Shareholders of Old Court International Reserves Limited have been called by the Director, N.M. Rothchild Asset Management (C.I.) Limited. The Meetings will be held at Lyra House, St. Peter Port, Guernsey. The first meeting is on Friday, 8th September 1989 and at 12.00 noon on Thursday, 28th September 1989 respectively.

A copy of the notice of meeting and agenda can be obtained from the Registrar of P.O. Box 242, St. Peter Port, Guernsey, Channel Islands. Shareholders will be admitted to the meeting on presentation of their certificates.

14th August 1989
N.M. Rothchild Asset Management (C.I.) Limited

LEGAL NOTICES

No. 004293 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
DUNHILL HOLDINGS PLC

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 23rd day of June 1989 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £17,800,000 to £17,000,000 by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before The Honourable Mr. Justice Harman at the Royal Courts of Justice, Strand, London WC2 on Monday the 8th day of October 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

DATED this 3rd day of August 1989
LINCOLN & PAINE (A. Rob)
Barrington House,
59-67 Gresham Street
London, EC2V 7JA
Solicitors for the Company

No. 004038 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

Re: REUTERS HOLDINGS PLC
- and -
Re: THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 31st July 1989 confirming the reduction of the amount standing to the credit of the share premium account of the above-named Company as registered by the Registrar of Companies on 3rd August 1989.

DATED this 14th day of August 1989
McGern & Co.
71 Queen Victoria Street,
London, EC4V 4EB
Solicitors for Greenwich Resources plc

CLUBS

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LEICESTERSHIRE

The Financial Times proposes to publish this survey on:
15th September 1989

For a full editorial synopsis and advertisement details, please contact:
Anthony G. Hayes
on 021 454 0922

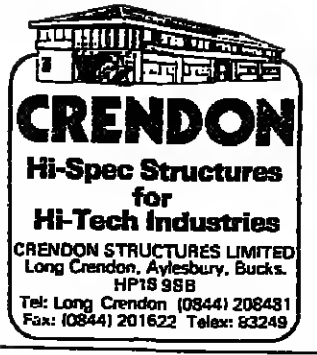
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Birmingham B15 1PG

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FINANCIAL TIMES
LONDON'S BUSINESS NEWSPAPER



Warehouses at Leeds

HIGGS AND HILL NORTHERN is working on a £3.5m contract awarded by Norquest (UK) to build 30 warehouses...

IN BRIEF..

Greyhound stadium into offices

The £50m redevelopment of Derby's Greyhound Stadium into office space will be handled by HALL & TAWSE GROUP...

CONSTRUCTION CONTRACTS

Perry Barr shopping centre

Joint developers Ladbrooke City & County, and Lynton, have awarded H.M. DOUGLAS a £24m contract for construction of the 'One Stop' shopping centre on the A24 at Perry Barr, Birmingham.

Milton Keynes office block

FAIRCLOUGH BUILDING has won a £16.7m contract to construct a four-storey office building in the centre of Milton Keynes for LET Offices of London.

Access road. Work on the 325 metre four lane section, linking a roundabout to the west of the Prestons Road...

external finish of brick and Portland stone. Work has started, for completion in May 1991...

KIER INTERNATIONAL, part of Beazer National Construction, has been awarded two contracts in the Caribbean. The largest is for a secondary school in Barbados (£2.3m) for the Government of Barbados.

TRY CONSTRUCTION has been awarded an £11m contract to build the Buckingham Hotel in West London. The nine-storey building will be constructed behind a retained facade on the Cromwell Road.

FINANCIAL

Financial section containing various company meetings, board meetings, and dividend and interest payment schedules for numerous companies.

DIARY DATES

Diary Dates section listing Trade Fairs and Exhibitions: UK and Overseas Exhibitions with dates and locations.

WOULDN'T YOUR NEXT SLIDE PRESENTATION BE BETTER IN 3D? Advertisement for 3D presentations.

Temporary Executives you can bank on. Advertisement for executive search services.

Manufacturers Hanover Overseas Capital Corporation. Advertisement for financial services.

APPOINTMENTS

Crown Estate Commissioner advertisement featuring Mr. Christopher Howes and other appointments.

LEGAL COLUMN

Advertising agencies' image on trial as lawyers face new-found freedoms. Article discussing legal challenges in advertising.

ARTS

ARCHITECTURE

Some questions Mr Patten should ask

Colin Amery proffers his advice to the new Environment Minister

When the Prime Minister decided to have her reshuffle and unbundle the cabinet before the summer holidays, in a state of limbo on the beach. Now that they all know what their new responsibilities are they can spend their vacations planning future policies for their departments. It may be helpful for Mr Chris Patten to start planning the agenda for the Department of the Environment while he is slowly turning green on some sunny unpolluted strand.

or not a particular project will "stack-up." Now, "stacking up" is not an architectural term. It is purely a developers' shorthand that will decide whether or not something is going to work financially. Of course everything must make economic sense but where does the design element come into the "stacking-up" equation? It is always very low on the agenda and is seldom very well understood. There will probably be an architect at the developers' meeting, but his activity will largely be confined to producing something that is familiar and easy to build.

But it takes some effort - like learning the difference between good and bad wine, or understanding how to appreciate music or pictures.

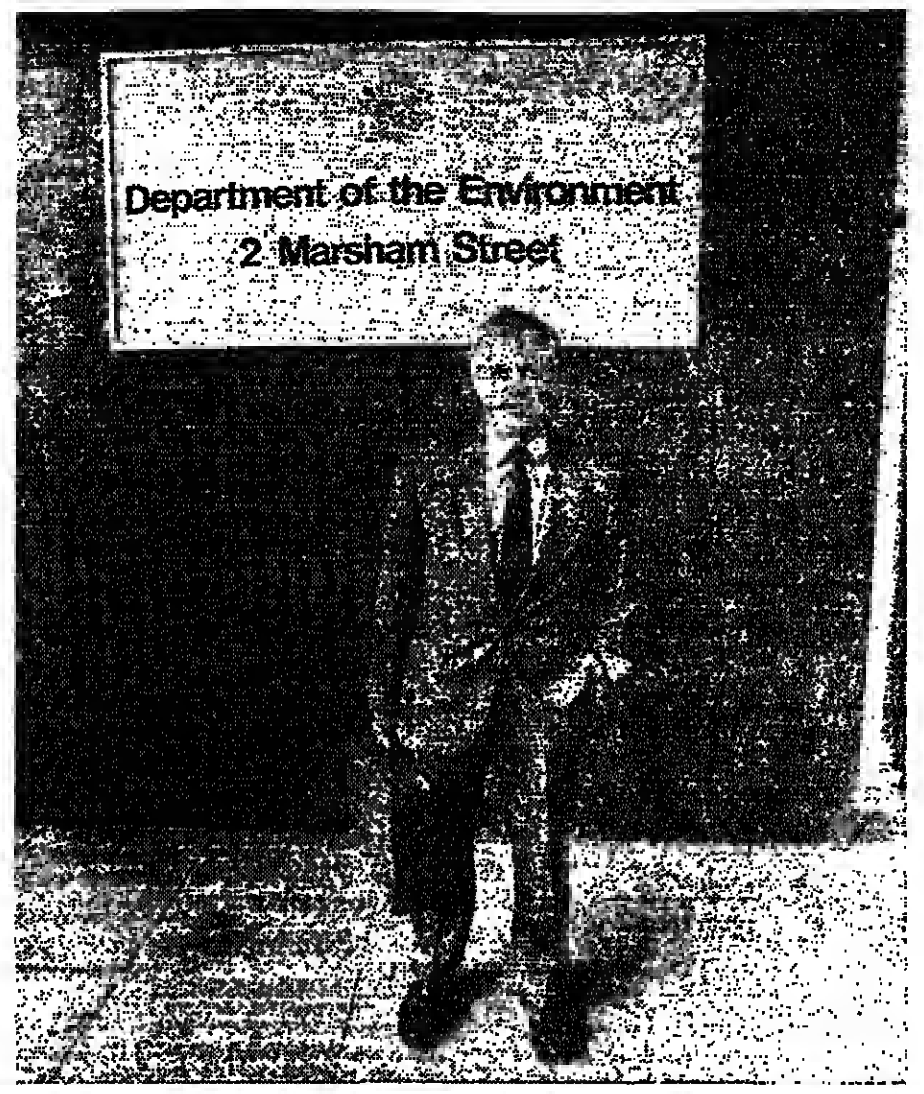
In the absence of trained discriminators there is always a temptation to impose rules, codes and safeguards. Mr Patten should consider the idea of basic principles that emphasise the simple truth that there are objective standards of quality when it comes to design. This is not a call for uniformity or for the kind of rules that were once applied in Tunisia, when every building was, by presidential decree, painted white and blue. The right sort of careful rules that recognise the essential local qualities of a place can be prepared. They have to be local, subtle and easily understood. If the rules are national, arbitrary and comprehensive, they will not work.

Mr Patten has to find ways of improving the design of houses. There is less and less need for the standard developers' house type and more and more need for flexible individual houses. Architects, too, need to be much more involved in the advance of housing design, which has barely moved since the First World War when "Das Englische Haus" became a model for Europe. It could do so again. The British are good at domestic life and an improved setting for it could be a priceless export.

When it comes to cities and transport, how is Mr Patten to grapple with ten years of opportunistic growth and inadequate public and private investment in the infrastructure? The lack of pride in an ungoverned capital city has somehow to be reversed. London has generally suffered from the appalling decline in its public services. The development of Docklands may have been fast, but it is no model for the future. It was consciously unplanned and built only to a short term "stacking up" formula.

It is the pursuit of design and architectural quality that must preoccupy the new minister. He could be seen to have a positive enabling role that only encourages the good. But to do that he has to recognise that so many of the forces that are at work on the environment today are merely the forces of expediency.

His role is to transform expediency into excellence. He has the power - may he have the vision too.



First sightings on the Edinburgh Fringe

One of our more satirical stand-up comedians hosted me in a Festival watering-hole on Saturday night and complimented me on my anorak. I patiently explained to him that I was not wearing it for sartorial effect, but for protection against some of his more impertinent colleagues on the fringe.

150 venues. Where to start? Tradition dictates the Traverse, now under the new artistic direction of Ian Brown. But something is up. I have been here two days and still not bumped into its founding director, Jim Haynes; and the famous bar has been tragically replaced with a second auditorium while the former studio, downstairs, has been converted to an awkwardly arranged, unwelcoming cafe.

Paul Brown's design contains the action on a raised platform and a mobile gridded cage, so you have the sensation of being simultaneously in a prison cell, on the scaffold, and beside an ecclesiastical catafalque. The atmosphere is imbued with fire, chimes and incense.

Kim Dambiek's production is set in the after-sales service department of a small firm manufacturing kitchen blenders. A new girl is on a trial apprenticeship, two typists gossip and bicker, the office boss officiates officiously between the management and the work force, the technician is an object of amorous rivalry. Meanwhile, there are rumours of mergers, modernisation, redundancies.

a good tea-time bet, a cabaret set in a "seedy Soho" featuring the songs of Cole Porter, Duke Ellington, and Billie Holiday. Unfortunately it also includes three excruciatingly spun-out hard luck stories of a bag-lady, a transsexual and a lonely drag artiste. Everett Scott is a notable presence.

Calisto, Traviata and Der Rosenkavalier

SANTA FE

Novelty is nicely blended with mainstream repertoire at Santa Fe. Alongside *Chérubin* and *A Night at the Chinese Opera*, the current season offers *La Traviata*, *Der Rosenkavalier* and *Calisto*. To judge from photographs from previous years, a conservative approach to staging is the norm - no deconstruction here - and that tradition continues this year, with only *Calisto* venturing outside strict period propriety.

smoothly sung, but staggily characterised - the older men in this clutch of Santa Fe productions at least have invariably been brought close to caricature. John Flore conducted without too much subtlety but provided the singers with solid support.

matched by a musical performance, conducted by Justin Brown, of almost equal crudity. In other circumstances there would have been some point in protesting the continued use of Raymond Leppard's performing edition, whose crusading work is all done by now, and which should leave the way clear for other, less tendentious realisations. But the brush strokes were so broad, the rhythms so soggy, the singing so lacking in any kind of style that such musicalological niceties seem irrelevant.

I had hardly stepped off the shuttle from London before being twice squirted at: first, by a feminist double act wielding a water pistol while impersonating the Kray Twins; and secondly, more dangerously, by the comedian Glasgowian four-mouthed Glaswegian Gerry Sadowitz who closes his brilliant new show at Heriot Hall (more of which anon) by lifting his kilt and "urinating" over the paying customers from a giant prop-erty phallus.

None the less, the Traverse promises much already. Brown's first production continues his predecessor's link with John Clifford and makes a glorious connection with the Spanish theme of the Festival proper: Clifford's *Ines De Castro* is a sombre, beautiful play about the political martyrdom of a Portuguese prince's Spanish mistress. Based on a historical event, the story has the sober majesty of a Schiller tragedy (*Mary Stuart* comes to mind) and the glacial pace of Clifford at his non-whimsical best.

Alison Peebles is superb as Ines, fending off the spirited, argumentative assaults of her nurse (Una McLean), a wronged wife (Hilary Maclean) and the Portuguese court, before her bizarre resurrection to receive a vow of allegiance.

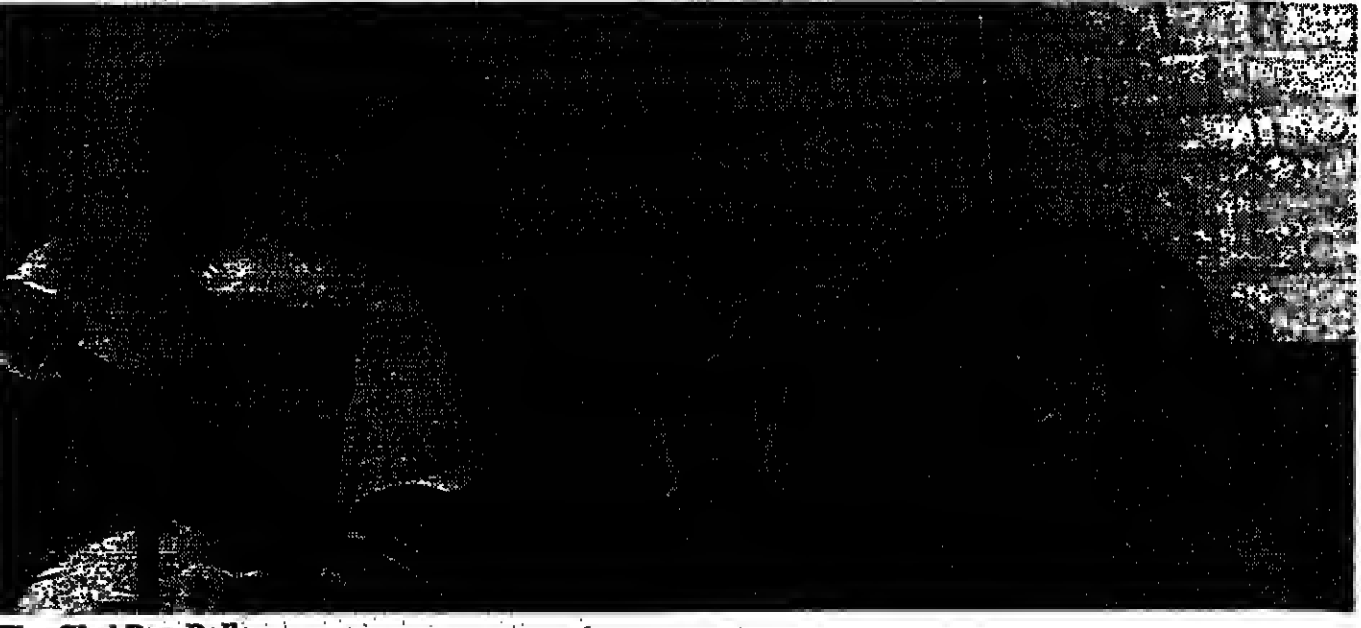
This is old territory, all of it covered with more success by countless writers from Alexander Buzo and Barrie Keefe to John Byrne and Frank McGuinness. Burtin's play is forced, kicking, to follow Vinaver's trail, and the concluding scenes are fraught with unlikely resolutions. Five grey, interlocking desks, moved slyly around to the music of Bach, are finally isolated from each other in symbolic defiance to the destruction of a small family business.

I have encountered two "invited" feminist plays, each a two-hander, each disjointed, verging on the feeble. At St Columba's by the Castle, the Red Rose Theatre from Lancaster are mounting a very full programme, including the water-gushing gangster double-act, *Kray vs Kray*. The authors, Suzanne Manners and Arabella Sawyer, Hemise a familiar Red Rose of mother fixation, boxing, sexism and violence, deeming to "expose" all that by casting two actresses as the psychotic duo. Tall Reg (Natasha Gordon-Dean) and Ron (Adele Fowles), a performer of real talent, lack nastiness and well penetration.

Der *Rosenkavalier* at least, both directed by John Copley, raised far fewer problems. Both operate within standard workmanlike designs (by Robert Perdziola and John Conklin respectively), and if neither offered arresting new insights, they contained no glaring solecisms either. At one point Copley's *Traviata* looked likely to turn into something blacker and far more unsettling - when the exuberance of Flora's third-act party took on a distinctly threatening demeanour - but that proved to be only a temporary excursion and the final act was played out with the ritual rites carefully observed.

It was dominated by a most impressive Violetta from Sheri Greenwald, strong-minded in the first act and never too vulnerable, but moving in a believable, compromised way and sung throughout with control and a fine sense of style. The Alfredo was Richard Drews, a Santa Fe regular who was inclined to push just a little hard at climaxes but is personable and makes a pleasing sound. The Germont père of Brent Ellis was

Diana was played (by Tatiana Troyanos, not well cast) as a cigarette-toting lesbian. Mercury (by Mikael Melbye, ditto) with preening self regard; Linfa (John Fryatt) became a pantomime dame. There was an untarnished if anodyne Calisto from Janice Hall, perky Satirino from Kathryn Gamboni, and some simply dreadful chorus work: arrival of the furies as a gang of punks with spray cans, intent on transforming Calisto, was not at all the image one wanted to carry away from this uniquely sited and inspiring opera house.



The Glad-Rag Dolls

Michael Coveney

Andrew Clements

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ARTS GUIDE. MUSIC London. The Proms. Works by 114 composers will be heard during this year's Promenade Concert season which continues until September 16. Most concerts take place at the Royal Albert Hall although St Paul's Church, Knightsbridge, and Kensington Town Hall are also used. Tickets for most concerts cost from £3 to £11 and can be booked on 589 8212, 589 9465 (10am-6pm) or 378 4444 (24 hours); promenade tickets are available only at the door on the day of the concert priced at £1-50 or £2. This week sees Klaus Tennstedt conducting Beethoven's Ninth (Mon), and the BBC Symphony Orchestra play Bartók, Britwistle, and Stravinsky (Thu).

August 11-17. Des Canyons aux Etoiles. ALBERT HALL. Messiaen's ornithological epic - in which diverse twitterers wing their way from Utah's Bryce Canyon to the Celestial City - has become the London Sinfonietta's party piece. On Friday, David Atherton led them through its dozen hectic movements and Paul Crossley took on the arduous, pummeling piano solo. The result was a coruscation of extraordinary sounds and yet - for all the brilliance of the performance - as uninviting and unsatisfying a musical experience as one could fear to have. To be moved by Des Canyons aux Etoiles you would have to share the composer's peculiar combination of obsessions and hence not only be able to find birdsongs - or at least their instrumental recreations - musically compelling in themselves, but be willing both to feel the divinity in each and every warble and embrace the glutinous Catholic theology by which, for Messiaen, that divinity is explained. Otherwise you must simply make what you can of an extended sequence of hard, bright, novel noises - a collection of sonorous images tirelessly exhibited and rearranged, but never amounting to more than the sum of its parts. In a sense this makes for easy listening: Messiaen's formal shapes and symmetries are obvious and functional rather than profound or expressive. The specific content - the notes, rhythms and colours, with all their burden of symbolism and ornamentation - are what matters, and there is no sense of a developing argument to worry about. The third of the three parts seemed to add nothing of importance. The atheistic listener was always in the position of merely examining a book of musical samples; or, to use a more apt metaphor, of admiring a new church organ, its mixtures and mutation stops, its limitless capacity for effect. Many of Messiaen's images were fun the first time; his play with wind-machine and geophone and thunder-sheet had momentary grandeur, while his resources of birdsong mimicry were always astonishing so long as you could think yourself into a scientific way of listening. His sonorities have a hitting force, but you may resent being hitten all the time. Certainly, when the second of the two long, metallic piano solos came round I grew weary of my punishment, though I admired Paul Crossley's power to administer it. The horn solo movement, "Ioterstellar Call," was superbly presented by Michael Thompson, and seemed to go on for ever and ever. Paul Driver

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Monday August 14 1989

Containment not enough

TROOPS went into Northern Ireland 20 years ago today. They went to protect the Catholic community from attacks by over-zealous Protestants who were resentful of Catholic demands for civil rights. They remain today for rather different reasons. The main purpose of the British military presence in Northern Ireland now is to combat the IRA, an organisation that did not exist in anything like its present form in 1969.

Much else has changed as well. There has been a gradual improvement in relations between Britain and the Irish Republic, partly as a result of both countries belonging to the European Community, and partly because successive Irish governments have realised that the IRA is potentially an even greater threat to the stability of the Republic than it is to the United Kingdom. No mainstream Irish political party now lays claim to a united Ireland in the foreseeable future; hence the Anglo-Irish Agreement of 1985, which explicitly states that there will be no change in present arrangements without the consent of the majority of the people concerned.

At the same time, there has been an estrangement between Britain and Ulster. Northern Ireland is under direct rule, which is not a part of the United Kingdom should be run. The leaders of the Unionist parties still refuse to accept the Anglo-Irish Agreement.

Professional gunmen

The IRA has moved from amateurism to professionalism. Whatever its protestations to the contrary, it has come to believe in violence for its own sake. Although it relies on no more than a few hundred active supporters, it is capable of striking in Ulster, Britain and even continental Europe.

It is therefore entirely understandable that a primary aim of British policy should be to reduce, or at least contain, the violence. Indeed, some of the British commentaries on the 20th anniversary of the deployment of the troops have suggested that containment is the only policy available, and

A decade of privatisation

The wildest enthusiasts for Mrs Thatcher's new government in 1979 cannot have believed that, 10 years later, she would have dematerialised some £25bn worth of assets and be set fair to abolish the state ownership of industry altogether.

By 1992, when the proceeds from privatisation are expected to have reached a fifth of the present national debt, an irreversible change will have swept across the British economic landscape.

As the Organisation for Economic Co-operation and Development remarked last week, it is too early to judge the success of the latest and most contentious phase in this grand strategy - the sale of large public sector monopolies. Nevertheless the OECD and others are starting to fill in the score card, and important lessons can be learned. Most obviously, a clear distinction must be drawn between the sale of companies like British Rail or British Telecom, which belong naturally in the market sector, and of those industries that competition cannot easily reach. Up to 1983 the businesses sold were generally competitive, and this phase was a great success.

Perhaps for this reason, the Government underestimated the difficulties of allowing the big monopolies to set sail before the profit motive, and was dismissive of the arguments for breaking them up. Not only do they escape normal competition, but, as the OECD hints, a bad utility manager can be even more secure in the private sector than under public ownership. Diffusely held shareholdings, the companies' large bulk and special "golden shares" make most managements all but invulnerable to the threat of a take-over.

Regulatory discipline

Consequently, the sharpest discipline is likely to be applied by the government-appointed regulators and by public pressure. The Government hopes to minimise regulatory interference by subjecting the industries to relatively simple price formulae. It is clear now that regulating these powerful monopolies will be much more complex than was envisaged at the start of the programme.

In both telecommunications and gas the scope of regulation

may remain so for years to come.

There is an unhappy flashback here to that phrase of the mid-1970s: "an acceptable level of violence." Containment, even if it is achievable, is not in itself an adequate policy; nor is relying largely on security measures. The unrest in the late 1960s came about because there was discrimination against the minority community. Some of it still exists in housing and jobs, for example. Moves to eliminate discrimination will not kill off the IRA overnight, but they should be taken in their own right.

Civil liberties

It is sometimes said that having a combat terrorism law has had a harmful effect on civil liberties in Britain. And it is true that there have been some cases where justice has not always been seen to be done. The shootings in Gibraltar and government attempts to censor television coverage of some Irish events have left a disturbing taste. On the whole, however, the British have stood up to the Irish troubles with remarkable tolerance. There has been no outbreak of anti-Jewishness, and respect for the Irish Republic has probably grown.

A greater danger than intolerance is indifference: the turning of the blind eye to Northern Ireland that allowed the discrimination to develop in the first place. Ulster has seldom been at the top of the political agenda, and then usually only in security terms. No wonder the Unionists feel rejected when so few British politicians visit the province.

The Conservative Party is toying with the idea of playing a more active role in Ulster politics on the ground. Perhaps the Labour Party would like to follow suit. For something is needed to prod the Unionist leaders back into the real world. There is a touch of Mr Arhaur Scargill in Mr Ian Paisley that ought to be exposed. Unionist leaders cannot indefinitely claim to be British while rejecting everything that the British propose, and devouring an excessive share of British money to boot.

In the wake of the Tiananmen Square massacre, it is displaying more confidence and optimism about the future than Hong Kong. Such a comparison with the British colony would have been dismissed as ludicrous at the beginning of the 1980s. A year ago it would still have seemed inconceivable. But now it is a fact.

Both Taiwan and Hong Kong lie on the edge of the Chinese mainland, which wants to bring them (along with the Portuguese enclave of Macao) back under Peking's sovereignty. Both are populated by refugees from the Chinese mainland who have turned their new homes into two of Asia's economic dragons. These people have no wish for Peking's Communist shadow to engulf them.

For decades Hong Kong has prospered under British rule to become an internationally important financial centre and a regional entrepôt for China. Taiwan, on the other hand, suffered from a repressive political

system run by an ageing KMT leadership who moved there from Peking with Generalissimo Chiang Kai-shek's Nationalist government in 1949. Now Hong Kong is faltering, its population terrified of life after 1997 when the colony returns to Chinese sovereignty. Tens of thousands of people are trying to find alternative homes abroad. Ideas are even being mooted of transplanting Hong Kong to another part of the world - Scotland, perhaps, Gibraltar or Darwin in Australia.

The Taiwanese, however, have no thought of being transplanted, nor of which is also on offer to Taiwan - that it could operate as a capitalist enclave within a united Communist China under what is known as "one country, two systems."

"I don't believe the Communists will keep their promises. I don't believe 'one country, two systems' can work in any country," says Mr James Chu, speaking for the KMT, but echoing an almost universal view which derides Hong Kong's hopes. A slightly softer, more diplomatic line is given by Dr Ma Ying-jeou, a Harvard graduate in his late 30s who heads a government committee in charge of policy towards the mainland: "We believe in 'one country, two systems' as a cross-strait policy but we want to ensure it is not against our economic development and freedom."

The present Taiwan regime was set up 40 years ago this October. Chiang Kai-shek arrived from the mainland, where his forces had been defeated by the Communists, with 1.5m-2m followers. They created what is called the Republic of China. It still claims sovereignty over the mainland and its leaders still hanker after reunification. The recent events in Peking have strengthened their conviction that they have a special role to play.

"We have a cautious, gradualist approach based on no direct contact between the two governments," says Dr Ma Ying-jeou. "Our long-term goal is reunification on the principles of democracy, equality and prosperity. In order to achieve that, we have to promote liberal and democratic development on the mainland by gradually making mainland people appreciate the benefits of our system."

Dr Ma and other officials quote opinion polls which suggest reunification would take 20-30 years, with

John Elliott reports on Taiwan's booming stock market and economy

Another hands a thick wad of dollars to her small child and points to a woman broker standing behind the counter on one of Taipei's high-tech stock trading floors. The broker smiles, beckons, and the child lobs the money over the high counter, placing a \$20,000 order for its mother on a Taiwan stock.

The woman was one of thousands of speculative punters, many looking far from affluent, who sit every day in Jardine Fleming's and other stockbrokers' modern trading floors around Taipei, watching banks of video screens for investments to turn round in a few hours. In their briefcases and shopping bags they have tens of thousands of Taiwan dollars to gamble on a stock market that has more in common with a casino than a source of long-term investment.

Jardine Fleming handles the equivalent of US\$8m (£5m) an hour during the market's three hours daily trading. For Taipei it is a small operation with only 0.35 per cent of the market's turnover. But Mr Blair Pickersell, the firm's country manager, estimates that its 0.35 per cent is equivalent to about 50 per cent of Malaysia's entire turnover or 25 per cent of Thailand's.

"People have changed their value concepts. We have developed a casino mentality of people desperate for quick returns," says Mr Vincent Slew, vice-chairman of the Council for Economic Planning.

"We are suffering the growing pains of too much money. This desire to make quick profits in a few hours is against the working ethics of Chinese people who are noted for patience, diligence and hard work," says Mr James Chu, spokesman of the ruling Kuomintang Party (known as the KMT). "People are saying 'Why should I work in a factory or office for a regular salary when I can make quick profits in the stock and property markets?' This is having a negative social as well as economic impact."

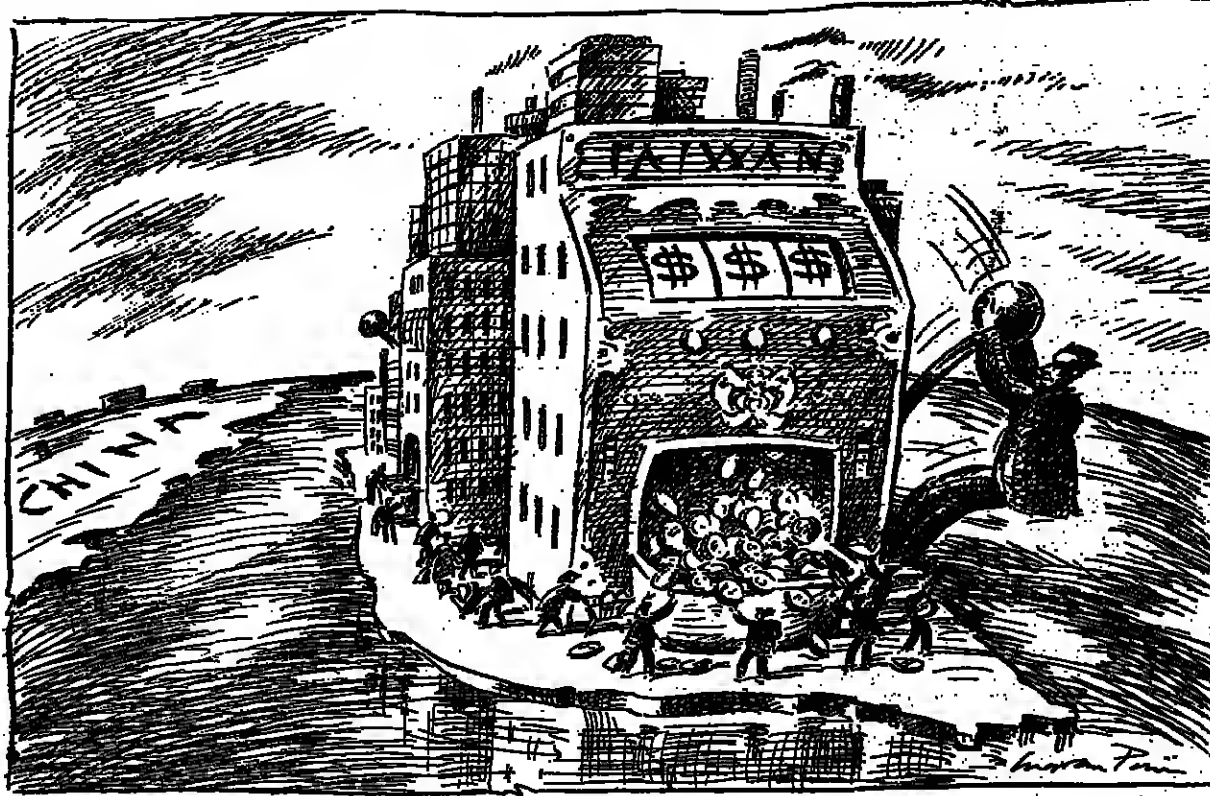
Yet despite these growing pains, Taiwan is emerging as a significant Asian economy with great strengths and optimism about the future. Although it is not internationally recognised as a sovereign state because it is claimed by China, it behaves and feels like an independent country.

It has a population of only 20m but it is the world's 13th largest trading nation. Its export success is being tested by the strength of the New Taiwanese dollar, which has appreciated by about 50 per cent since September 1988 (12 per cent so far this year) to just over NT\$95 to the US dollar. It boasts foreign exchange reserves in excess of US\$75bn, an annual per capita income of over US\$6,000, and economic growth slowing slightly to about 6.5 per cent this year.

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The other China's new confidence

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Dr Ma and other officials quote opinion polls which suggest reunification would take 20-30 years, with

increasingly closer ties and formal contacts along the way. They say that the Tiananmen Square crisis has put more movement back by five years or more. Eventual reunification could be a generation further away.

Since 1987 Taiwan has allowed visits to and from the mainland. Last month it loosened controls on indirect mail and telephone calls to help people send facts about Tiananmen Square to contacts in China. Trade and investment is tolerated, providing it is done indirectly. Usually this means going through Hong Kong. Customs officials there put last year's

two-way trade at US\$2.7bn, of which US\$2.3bn was Taiwanese exports. This has fallen off in recent weeks. Investment totals an estimated US\$300m, says a spokesman.

The government has not stopped these contacts in recent weeks because it does not want to upset the sensitive balance of the China relationship, a factor which also curbed its criticisms of the Tiananmen Square massacre. But it does try to make sure moves are taken slowly, because there is a fear of being swamped by immigration from the mainland.

"Reunification is not on because we cannot for economic reasons open our doors to the mainland," says a banker. "They could send 10m or 30m

people across the straits and that would sink us - we could not even open our doors to 50,000 fishermen without economic trouble." The government does not want the two-way trade, which accounts for 2 per cent of Taiwan's total, to grow much larger. "Look at how the US treats us over trade - we don't want that from China," says one official.

There is a faction which wants Taiwan to break formally from China. "Full independence would allow Taiwan to develop new economic and other plans for its future as a country and have faster political reform," says Dr Lu Hsi-Yi, foreign affairs director of the Democratic Progressive Party, the main opposition challenge to the KMT, who was jailed from 1983 to 1986 for his pro-independence views.

Such views are illegal because they would negate the KMT's claims to be the legitimate government of China. They are also impractical, partly because the US has threatened to invade if there was an independence declaration, and partly because such a move would exacerbate rather than help Taiwan's international relations.

At present Taiwan is officially recognised by only 24 mostly small countries. Creation being the most recent to join the list. Taiwan has indirect relations with other countries which want to increase trade ties, including the UK which recently opened a low-profile visa office in Taipei. Growing international confidence is demonstrated by a decision to apply later this year for membership of Gatt.

But for most Taiwanese, the competing ideas of reunification and independence are irrelevant and even dangerous. People are primarily interested in doing business with China, especially using it as the cheapest source of raw materials and the Philippines for low-cost production.

Too much progress on the mainland could even upset Taiwan's property. "Many people are worried that if China becomes really democratic and liberalised, the flow of capital would go there and not to Taiwan where land prices and prosperity would go down," says one financier.

Taiwan is pricing itself out of many companies' equations because its property prices and labour costs are rocketing, worsened in international terms by the appreciating NT dollar. Some building site wages have doubled to NT\$3,500 a day in the past year. A nanny gets the equivalent of US\$35-40 a day.

These factors are taken into account by companies like ICI of the UK which recently announced plans for a \$150m chemicals plant linked to polyester fibre production. "If you want cheap labour or have a high pollution factor don't come to Taiwan," says Mr John Chandler, ICI's man in Taipei. "An investment here has got to be capital intensive."

Environmental concerns are growing, compounding other social problems of rapid growth. There are signs of growing labour militancy and a lack of interest in work when there are rich pickings from speculation. Recently the government has started to clamp down on underground finance companies paying interest of 80 per cent or more a year to raise funds for their own property and stock market speculation. The government is looking for ways to channel all the surplus cash into productive investment, partly by liberalising the banking system.

"There is concern that the gambling and lack of interest in work could get out of hand. But providing that does not happen, Taiwan will continue to thrive as a capitalist island-offshore from a Communist mainland, operating its informal independence and waiting to benefit from what it assumes will be Hong Kong's inevitable decline."

An average performance

The possibility that the Dow Jones Industrial Average this week will reach its highest-ever closing level is bound to bring out the chartists.

What happens when the market sets a new record? I have consulted the standard work on the subject - a weighty tome called *The Dow Jones Average 1896-1988* which has nothing in it but statistics, all unclouded by comment from the real world.

The weight of evidence, alas, is that it pretty soon turns down again. This was particularly the case in the 20 years from 1962 onwards. Five times, the market hit a peak only to fall straight back. The only notable exceptions in modern times were the great bull market after the last war, and the strong run in the early 1980s.

The good news is that if the market does break through firmly to a new high, there is nothing half-hearted about it: it goes on to scale much higher peaks, as happened in late 1982 and mid-1985.

People will say that past patterns contain no guide to the future: it's the economic fundamentals that count. That's not entirely true. Everyone knows once the market is in new territory it makes them nervous. One detects signs of that already.

The Dow's present record of 2,722 was set on August 25 1987. I still cherish a label but not a 1 was given by a New York stockbroker in 1980. It said "The Dow at 3,000 by 1982."

Lady liberator

A 47-year-old bee-keeper's daughter from the Gaza Strip has achieved rare political prominence in the Arab world for a mother of five. Mrs Intisar Al-Wazir, better known by her nom de guerre Umm Jihad, last week became the first woman to be elected to the leadership of Fatah, by far

the largest faction in the Palestinian Liberation Organisation.

Umm Jihad is a short, soft-spoken woman who once wanted to be a doctor. But her appearance masks a steely character: only last year she was forced to witness the murder of her husband, PLO military commander Abu Jihad, when he was gunned down in their Tunis home by Israeli agents.

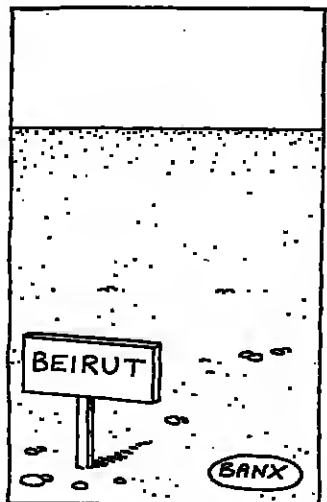
Ever since the assassination she has received rousing applause whenever she appeared at Palestinian gatherings. But she is no stranger to the leadership of the movement. In 1986 she was placed in charge of military activities against Israel while her husband and Yasser Arafat were imprisoned in Syria.

Although she was the first woman to join the Palestinian movement in 1969, Umm Jihad was happy to stay out of the limelight while her husband was alive. In the early days she acted both as breadwinner and housewife while Abu Jihad set up the first Fatah office in Algeria. She bristles at suggestions that her election was principally a tribute to his memory. "My success was mainly the outcome of many years of personal struggle," she says.

Initiatives

An article in the current issue of the West German weekly, *Die Zeit*, on European unity, notes that two large attempts were made to achieve it in the last century: the first at the Congress of Vienna in 1815 under Habsburg leadership, the second in 1871 by the Prussians under Bismarck. The thrust of the article is that the time has come to make a further attempt. Its authors are Otto von Habsburg

OBSERVER



and Philipp von Bismarck, senior living representatives of their respective lines and both Euro-MPs. Cause for alarm or third time lucky?

City walks

One effect of the gradual erosion of the City of London's charms by modern life is that it quickens an interest in the past, viz. the fuss over the Rose Theatre, and excitement at the discovery of the Roman amphitheatre in the Guildhall yard.

Anyone ashamed of their ignorance of history, or pricked by curiosity should spend £5.95 on "Square Mile Walks", a new book of six walks around the City, each based on a different theme: the Invaders, the merchants, the Great Fire and its aftermath, entertainment and the law, and so on. Reading it over the week-

end, I found it sufficiently vivid to satisfy the armchair walker as well. Cannon Street station. I learnt, stands on the site of the Steelyard where Hanseatic merchants traded goods using a "steel" - a beam for weighing imports. Their unit of currency was the *estering*, which may have been the origin of the word sterling.

The book is by Bethinda Morse, a qualified London Tourist Board guide who also happens to be the wife of Sir Jeremy Morse, the chairman of Lloyds Bank, himself one of the City's more erudite figures.

"The City has a womb-like quality" she said. "Once people get used to it they feel very safe."

Her own favourite parts of the City are the back alleys, ways, which tend to be the parts most vulnerable to the demolitioners. She particularly recommends exploring behind the Barclays Bank headquarters at the corner of Lombard and Gracechurch Streets.

"These sorts of places are disappearing frighteningly fast," she says.

The book is published by Historical Publications of New Barnet.

Erratum

Christopher Haines was wrongly described in last Friday's *Observer* column as having been chairman of ED&F MAN. He is chairman of the ED&F MAN subsidiary, James Budget & Son. The chairman of ED&F MAN is Michael Stone.

Look carefully

From House Maintenance and Repairs, by G.C.A. Tanner. "Excessive noise during the refilling of the cistern can be eliminated by fitting a silencer to the ball valve, provided of course, that it is a type of ball valve to which this can be done."

David Lascelles

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"WHEN YOU speak of vision, you seem to think of management in terms of dreams. Dreams have their place in managerial activity, but they need to be kept severely under control. The object of our policy is to increase our earnings. It is perfectly simple."

That object, in essence, is what drives Lord Weinstock, a man often described as Britain's leading industrialist. As managing director of the General Electric Company in the 1960s, he earned plaudits by masterminding a restructuring of the UK's electrical industry. But, for most of the 1980s, he has seemed boxed in.

It is only in the past year that he has escaped into a fresh burst of action. First, he made a hostile bid - with Siemens of West Germany - for Plessey, his old electronics rival; next GEC and Compagnie Générale d'Electricité of France merged their power engineering interests to form GEC-Alsthom; and then he created a series of joint ventures with General Electric of the US, the largest of which covers GEC's hotpot domestic appliances business.

Now, as GEC and Siemens seem on the point of finally capturing Plessey, Lord Weinstock speaks of his goal of increasing GEC's earnings as a creative activity which benefits the rest of society. Not only are earnings a justification in themselves, they also reflect the extent to which you are meeting needs. They reflect the extent to which you are giving satisfaction.

However, this talk about increasing earnings may seem rather dry as a vision. And that is the heart of a criticism that has been voiced about Lord Weinstock over the years - that by concentrating exclusively on profitability, he has been blind to some of the more exciting new electronics markets.

There is also anxiety about the joint ventures GEC is embarking on. On the one hand, there is a feeling that Lord Weinstock would not now be putting nearly half of Britain's dominant electronics group into joint ventures which he will not totally control if he had achieved faster expansion in the past. On the other hand, people wonder whether he should be allowed to increase his dominance of the UK electronics industry by taking over Plessey if he is not going to make it grow.

Lord Weinstock bristles at the suggestion that he is not good at making things grow. He points out that, since he joined GEC, its turnover has shot up from £50m to over £600m.

The most spectacular part of this growth came in the big acquisitions of the 1980s, however. If you take a more recent period - as the Monopolies and Mergers Commission did in its report on the Plessey bid - GEC's sales have barely grown in real terms, increasing (in 1988 pounds) from £5.0bn in 1979 to £5.6bn in 1988.

Lord Weinstock complains that, despite the Retail Price Index, a steady way to measure industrial activity. "We don't buy sugar and pay council house rents... Prices for many of our products were going down when inflation was going up. Nevertheless, other large interna-

Lord Weinstock is close to achieving his ambition of acquiring Plessey for GEC. He talked to Hugo Dixon.

Keeping dreams under control

tional electronics companies have grown rapidly over the past decade as electronics have taken a larger share of the world economy. Siemens, for example, saw its sales go up from DM36.1bn to DM84.4bn in real terms over the same period. The big Japanese companies have grown even faster.

"You think growth is necessarily benign, do you?" Lord Weinstock asks. "People just getting bigger for the sake of it, you think that is a good idea?"

He also points out that the only consumer market that GEC has pulled out of in the past twenty years is television receivers. "There we got driven out by the one joint venture we have undertaken which did not succeed - with Hitachi."

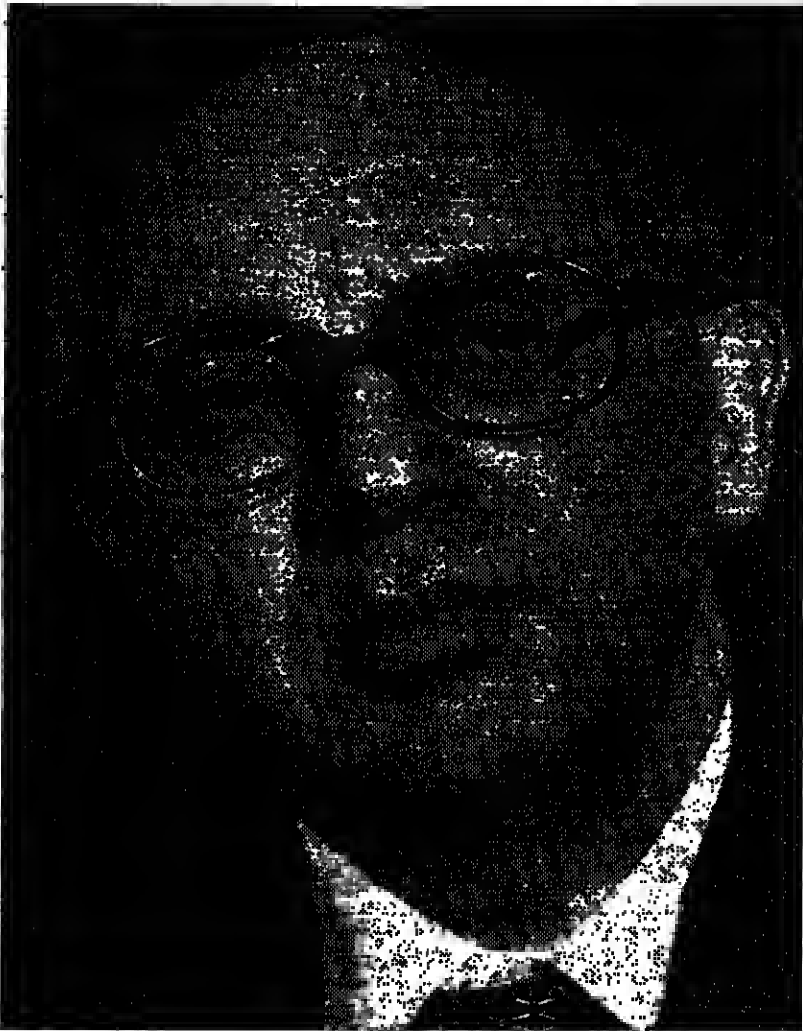
However, the criticism is not so much that GEC pulled out of businesses but that it failed to make a push in new areas, such as personal computers and semiconductors, which did not even exist twenty years ago.

"We didn't regard those fields as areas where we were particularly likely to succeed or as areas which were likely to be profitable for the company, and neither would they have been. We would have failed like everybody else. Nobody has consistently made money out of that sort of thing apart from the large American companies and perhaps the Japanese."

Critics also say GEC failed to push hard enough to get into foreign markets. Lord Weinstock has always said he tried but was blocked, for example when he attempted to take over AEG, the German electrical group in 1982.

But others have succeeded in putting together transnational deals. For example, in 1987 IFT put its telecoms interests into a joint venture with Alcatel of France, creating the world's second largest telecoms manufacturer. "If we'd got to look at it, certainly that would have been interesting," says Lord Weinstock.

Was IFT then a missed opportunity? "We didn't have an opportunity," Lord Weinstock says. "If the number 73 bus goes down Park Lane and you're in Oxford Street, it is not a missed opportunity if you didn't get on it in Park Lane."



Anthony Adomwood

Everybody misses opportunities. We're not perfect. But the idea that there's something wrong with this company or its management isn't worth talking about."

Lord Weinstock argues that it was not possible to buy companies like CGE, Alsthom, Siemens, Daimler Benz or Bosch, so it was necessary to form joint ventures to get access to their resources and markets. "It's about building up our presence in Europe with a view to making up our presence generally."

But aren't there drawbacks in going for joint ventures? "The drawbacks are that you don't

things they don't like." In the joint ventures, will Lord Weinstock be able to proceed with decisions without clearing them with his partners?

"No, potentially not. In the last resort, I have been able to say: 'You have to do that, no matter what you say' and he does it or he goes. Now, I can't do that, but that's the only thing I can't do and that is a very small part of the managerial activity in which I am indulging. That is infinitesimally small."

GEC's own joint venture in television sets with Hitachi failed, according to Lord Weinstock, because the Japanese company kept most of its TV businesses outside the venture and refused to merge the companies' sales forces. GEC eventually sold out after making large losses. Why won't the new ventures end up the same way?

"In the case of GEC-Alsthom, CGE has no other business in power engineering that is not in the joint venture. Neither do we. The success of the joint venture is necessary to both of our successes in the field of power engineering."

But this will not be true of tele- coms. If GEC and Siemens acquire Plessey, the German company will take a 40 per cent stake in GEC Plessey Telecommunications (GPT), but keep its own telecoms business separate.

"Theoretically it could be a problem but it is not going to be a problem, because it does not pay them to lose access to the British market," says Lord Weinstock. He also points out that, unlike the Hitachi venture which was 50-50, GEC will hold 60 per cent, giving it control.

But the key part of the deal is that Siemens and GPT will co-operate on developing future telecoms systems. Given that Siemens is much bigger in telecoms and will be devoting more engineers to the job, won't GPT be dominated by the German company?

"I wouldn't say it will be dominated. Certainly Siemens will have, will expect to have a very large majority of shares, they will have the majority of the technology. But the fact remains that, in the last resort, we can always say we will not do it that way."

In the Hotpoint venture, GE is taking a 50 per cent stake in GEC's domestic appliance business, which is the market leader in the UK. GE is putting its much smaller European operations into the venture but is not giving GEC any share of its vast domestic appliance businesses in the rest of the world.

Didn't Lord Weinstock want a share of those businesses? "No, you couldn't. You see, the scale is too big. You couldn't have anything to say in a joint venture with GE in domestic appliances in the US. That part of the deal with GE is simply exchanging money for an interest in the Hotpoint group."

But, isn't that like Hitachi? "No, it's nothing like Hitachi," Lord Weinstock insists. "Nothing ever could be. If you've been through that experience, you would know."

have absolute control. Mind you, I think it is only fair to say that in a large organisation you don't have absolute control anyway because your colleagues sometimes do things that you don't necessarily approve of."

He acknowledges that GEC and its partners have different ways of going about things. GE, for example, has a much larger headquarters staff, which gets more closely involved with its subsidiaries' day-to-day activities.

"If you say that there is more bureaucratic interference, yes. They are not actually telling people what to do; they are, on the contrary, stopping

LOMBARD

Nitrate: an avoidable mess

By Bridget Bloom

A PARLIAMENTARY select committee has just produced a sensible report which the relevant British ministers and bureaucrats in Whitehall would do well to digest.

It is about nitrate and the problems that flow from putting too much of the stuff, as chemical fertiliser or farmyard manure, onto Britain's farmland, thereby raising the nitrate in the water we drink to a level above that endorsed by all member states in a European Community directive of 1981.

The report concentrates particularly on a new EC directive, presently in draft and thus not yet in force, to control farmers' future nitrate use.

So far, the report - from the Lords Committee on the European Communities - has been remarked chiefly because it seems to back Mrs Thatcher's stand against the Brussels bureaucrats. But its most important message is a rather different one.

Many people know by now that the EC has set a maximum limit on the amount of nitrate which it believes its citizens should ingest: this is the 50 parts per million set out in the 1981 directive, and based on a World Health Organisation recommendation.

Fewer people, perhaps, know that Britain, though it accepted the 50 ppm limit, successfully negotiated a derogation from it for areas where nitrate levels were already high.

Government promise

However, that derogation came to an end last year, since when there has been much huffing and puffing between London and Brussels. The government, in the throes of privatising water, has promised to implement the limit by 1995, but the Commission has insisted on 1993, meanwhile threatening Britain with the European Court.

There are two main grounds for Britain's stand. One is that the water authorities will not be able financially or technically to meet the earlier deadline. The other is more profound, for implied in government statements is the belief that the 50 ppm level is

unnecessarily low. On the face of it, the Lords Committee seems to agree with this. Having taken much expert evidence, it concludes that the health threats, principally the "blue baby" syndrome and stomach cancer, have been exaggerated.

It goes further. For it points out that the Commission's insistence that the 50 ppm be an absolute limit, applicable at all times of the year and to all drinking water supplies wherever sampled, could be very damaging for Britain.

Surface supplies

Unlike other member states, Britain draws 70 per cent of its drinking water from surface rather than from underground supplies. If the limit is to be applied to water in any reservoir or river at any time, the Lords report reckons that as much as fifty per cent of East Anglia's arable land would have to be taken out of production.

Much better, the report argues - echoing government evidence - to test water for nitrate only when it is taken for drinking, since, by then, natural denitrification will have lowered nitrate levels.

Assuming the science is sound, this seems sensible. The Lords report castigates the Commission for failing, on its own admission, to take British circumstances fully into account when formulating its new draft directive - although as the Commission witness pointed out in evidence, Britain agreed to the directive in 1981 without presenting any of these reservations.

For there is the point. The real reason of the nitrate affair is that the mess is of the government's own making.

If ministers and bureaucrats had done their homework in 1980 or thereabouts, they would not have put Britain's name to a directive which now causes them to wriggle and squirm and face prosecution. They are apparently doing their homework on the new directive, and that is all to the good. But where were they then?

* Nitrate in Water. HMSO £7.40

LETTERS

British business schools pull ahead

From Mr Philip Sadler. Sir, Professor Harold Leavitt's sweeping criticism of business schools, reported by Michael Skapinker (August 2), represents his lack of first hand knowledge of British and European business schools. The charge that "they inflict lasting damage on well-proportioned young men and women, distorting them into critics with lopsided brains, icy hearts and shrunk souls," and "fail to help them learn about leadership, imagination, determination and a sense of mission" would be valid when levelled against mainstream programmes in traditional US business schools and in European institutions closely modelled on them. In other places, however -

perhaps most of all in Britain - fresh approaches have been pioneered for some time. Among the most important is the use of "live" projects as vehicles for learning rather than sterile case studies. Another is the replacement of much conventional classroom teaching. Many British business schools (to quote the article) "got away from teaching" many years ago. Organisational leaders need a combination of vision and the ability to manage change as well as analytical skills. At the core of the Ashridge MBA is one important project and several smaller assignments focusing on real issues in organisations, together with an unusual degree of emphasis on

the so-called "soft" process skills of leadership. Programme participants have unrestricted access to databases, expert systems, information services of various kinds, computers, audio visual and interactive study programmes, and an expert staff to help them make full use of them. A number of British and some continental European business schools can confidently say to Harold Leavitt: "Not guilty as charged." Indeed, if he were to investigate further he would find many American business schools falling one step behind their British counterparts. Philip Sadler, Ashridge Management College, Berkhamsted, Hertfordshire

Education down the Tube

From Mr Andrew Oswald. Sir, I see from your front page (August 10) that the average London Tube driver is to earn £333 per week. This is, I note, approximately the midpoint on the salary scale for university lecturers in Great Britain. It would be considered un-British, presumably, to suggest that there is probably not a single Tube driver who would make an adequate university lecturer, nor a single university lecturer who would be an inadequate Tube driver. But what about perks, I hear you say? True: university teachers do not get subsidised travel. Andrew Oswald, Centre for Labour Economics, The London School of Economics and Political Science

Ecu-spending could put EMU at risk

From Mr Andrew Brocner. Sir, Mr Peter Welch ("United we spend", Letters, August 3) advocates the Ecu (European currency unit) as a currency option to circulate among other EC currencies. This strategy is considered and rejected by the Deans report. Another form of money creation, not linked to a country's economic activity, may jeopardise price stability - one of monetary union's aims.

● An additional currency circulating alongside existing ones would complicate even further the difficult task of monetary policy co-ordination. Mr Welch also suggests that central banks could decide on the amount of each country's Ecu issue. Individual countries wishing to create large

amounts of money to finance high government debt may similarly endanger price stability. A European central bank would co-ordinate these decisions and make this less likely, although there remains the issue of placing upper limits on countries' budget deficits. Andrew Brocner, Birkbeck College, University of London

Bad debts at the banks

From Mr Mike Lyndon. Sir, Can clearing banks so smugly laugh off huge foreign bad debts, as Sir Jeremy Morse of Lloyds did on television? He said he had chaired Lloyds for the seven years the bank had been involved with Latin America, and much of the fault lay at his doorstep. Yet he would not consider his lack of foresight, and the resultant damage to Lloyds' credibility, a sufficient case to resign.

If this company were in debt to any of the four big clearing banks, and ran into difficulties, you can bet your last brass farthing that we would be promptly foreclosed on - with no thought of rescheduling the debt, even if the cause was simply over-trading profitably.

No wonder banking with the Big Four is so expensive; they can afford to throw billions away in Latin America and, at the same time, charge exorbitant rates to business users.

If the heads of the four clearing banks rolled (as with the Blue Arrow affair) I think many would come to respect the banking fraternity as a responsible body - but not while the old hierarchy is in place. Mike Lyndon, Lyndon (Holdings), Arlington House, 52 Lower Road, Kenley, Surrey

Aviation planning should take the long view

From Mr Michael Donne. Sir, The German Airspace Users' Association report (FT, August 9) is welcome, if only because it quantifies the cash penalties of the air traffic control problems suffered by millions of European travellers.

Present measures to improve the situation include the Civil Aviation Authority's £260m investment programme to improve UK air traffic control (ATC) equipment and techniques, and the efforts to achieve a more centralised system of air traffic "flow control" through the existing Eurocontrol organisation in Brussels.

Whether this can ever be expanded into a single integrated ATC system for Europe remains to be seen. Many countries in western Europe have yet to approach, let alone match, the UK's investment programme. Several have much smaller air transport industries than either the UK or West Germany. They get less direct benefit from commercial aviation, and accordingly allocate to it a much lower priority in their budgets

and long term economic planning, while retaining an entrenched sovereignty in their air transport affairs. Until this is redressed, consensus on the need for a single integrated ATC system for Europe is unlikely - let alone on how to finance it. The fundamental problem is to get governments and others to recognise that air transport is one of the most dynamic contributors to economic growth. Over the past 40 years almost every forecast of world air transport growth has proved conservative. The result has been that in many cases in Europe, measures taken to provide the necessary facilities - terminals, runways, access links, air traffic control systems - have all too swiftly proved inadequate.

In the UK, with a record much better than most other European countries, it takes far too long to win approval for essential new developments: as much as 10 years from conception to in-service for a new terminal or runway, by which time traffic growth may have

pre-empted much of the new capacity. This points to the conclusion that, throughout Europe, there must be much wider recognition of the likelihood of persistent air traffic growth into the first quarter of the 21st century, leading in turn to the need for a much longer "time horizon" in all civil aviation planning.

To avoid the ad hoc solutions of the past, efforts to update ATC systems - as well as terminals, runways and access links - need to be geared not just to a doubling of current air traffic by the year 2005, but to the likelihood of a further doubling in the following 20 years. Such a time-scale may appear extravagant to some - but necessary, if the problems of the recent past are not to recur a few years from now. The investment would be high initially, but would be more than adequately compensated in the long term. Michael Donne, Tesco, Blackheath, Guildford, Surrey

time critical manoeuvres

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Janet Bush on Wall Street
Rotational worries for market

"ROTATIONAL plays" became the buzz concept in the equity market last week. What it means in plain English is that traders had started to get worried that the market could not possibly move above its 1987 peak without a better performance by such old stalwart cyclical stocks as Dow Chemical and IBM.

By rotation, equity analysts are talking about a shift from one sector to another. Most often, during the current (or past) rally, that has meant a shift in the focus of takeover speculation from, say, tobacco stocks to hotels and casinos. But it is not this sort of rotation that boosts a market to record highs.

What has most worried the market is that cyclical stocks, which tend closely to follow ups and downs in the overall economy, have been doing badly. According to Mr Kenneth Spence, equity analyst at Salomon, cyclical stocks have not underperformed non-cyclical (and therefore recession defensive issues) by such a margin since the October 1987 crash.

In the past six months, Salomon's index of non-cyclical stocks has outperformed the Standard & Poor's 500 by 18 per cent. In stark contrast, its cyclical index has underperformed the S&P 500 by 3 per cent.

Mr Spence said: "The market is talking about a soft landing for the US economy but it is still investing for recession."

The stronger-than-expected headline figures contained in the employment release for July served to underscore hopes for a soft landing, as did last Friday's unanticipated drop in producer prices during July and strong rebound in car sales.

Last week started with a surge in such cyclical stocks as IBM, which was heavily traded, and signs of profit-taking in such consumer non-cyclical as Philip Morris. This shift actually began around a fortnight ago, as recession fears waned, but accelerated last week after the employment data.

However, by the end of last week, IBM was back on the defensive and the much-hoped-for rotation appeared to have turned another 180 degrees to end up where it had started: with takeover plays and consumer stocks which hedge against recession.

Mr Spence believes that the recent partial shift to cyclical was a short-term trading move within a longer term relative downward in this sector. He points to slowing profits and slowing cashflow. According to his figures, profits of the S&P 500 companies jumped 22 per cent year-on-year in the first quarter of this year, but by only 5 per cent to 6 per cent in the second quarter, an extremely dramatic fall-off.

Mr Lance Stomachypher, vice president of the research firm, Ned Davis Research, publisher of a widely read investment newsletter which uses mathematical models, said that his company had got its first recession signal in February. Taking into account the normal lags, a recession could be in by around December going into the first quarter of next year.

In its edition of Industry Watch on August 11, Ned Davis Research wrote: "We have not seen enough evidence for a recession yet, but we have declined to see economic growth based on the reading from our Economic Timing Model."

Mr Michael Sherman of Shearson Lehman Hutton believes that there are a number of factors which should balance out the fact that it is likely that the peak of earnings for cyclical stocks has already been seen. Among them is the fact that the decline in the dollar in the past five years has led to worldwide competitive advantages for domestic manufacturers and raw material producers which "will not dissipate as a result of a slowdown in the US economy."

Second is a willingness within the US Federal Reserve to protect the economy against recession.

EAST GERMANS SEEK ASYLUM
West Germany closes Budapest embassy

By David Goodhart in Bonn

WEST GERMANY yesterday temporarily closed its embassy in Budapest to the public to stop any more asylum-seeking East Germans from joining the 180 who are already inside the premises.

The action reflected Bonn's disquiet over this summer's upsurge in attempts to emigrate westwards, both legally and illegally, by East German citizens, a trend that has complicated relations between the two German states.

A week ago, West Germany closed its diplomatic mission in East Berlin, where 130 people had holed up, and at least 30 East Germans are believed to be inside the West German embassy in Prague.

Mr Rudolf Seiters, the West German cabinet minister in charge of the asylum crisis, has appealed to holidaying East Germans not to occupy his country's embassies in Eastern Europe.

Mr Jürgen Sandhoff, a state secretary in the Bonn Foreign Office, will today meet the Hungarian Foreign Minister, Mr Gyula Horn, to discuss how

both countries can respect the human rights of the fleeing East Germans without widening the rift with the East German Government.

West German officials fear that the embarrassment to the East German Government caused by the wave of embassy occupations, and by the much-publicised East German flow across the recently opened border between Hungary and Austria, may bring to an end the recent relaxation in the Communist state's exit visa policy.

About 100,000 East German citizens are expected to resettle legally in West Germany this year, compared with the previous annual record of 41,000 in 1984.

The reason why so many East Germans are nonetheless seeking to leave unlawfully appears to be fear that they will not get a visa through legal channels and belief that the Hungarian hole in the Iron Curtain has created a unique, and perhaps short-lived, opportunity.

About 1,600 East Germans are said to have crossed the border since the barbed wire

was taken down in May. A resolution of the problem at the East Berlin mission may be in sight after 10 of the occupants agreed to leave at the weekend.

According to officials in Bonn, most of the rest will also go if they receive assurances they will not be punished. The East German authorities have maintained that at least half of the 130 have never even applied for exit visas.

Mr Helmut Kohl, the West German Chancellor, said in a weekend newspaper interview: "East Germany cannot evade the reform process. Time is working against Mr Honecker (the East German leader)."

However, most West German officials are privately pessimistic about the short-term prospects for reform in East Germany. Similar pessimism inside East Germany is one explanation for the increased exodus.

Western diplomats say despite the dismantling of the Iron Curtain in Hungary and liberalised travel in Poland, Hungary and the Soviet Union, a West German refusal to budge on the Berlin Wall.

"Honecker can't afford to blink on this one, his whole prestige is staked on it," said one. The Communist Party leader was security chief in 1961 and supervised the wall building.

1m and 1.5m East Germans have applied to leave the country.

Most of them have higher than average qualifications and come from the industrial south of the country from towns such as Dresden (70,000 out of 520,000 residents) or Karl-Marx-Stadt (35,000 out of 315,000).

Mr Stefan Heym, East Germany's best-known writer, said on West German television that the exit wave could destroy the country but that added that East Germans "are fed up with being treated like children" by the orthodox Communist regime.

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Sri Lanka slips towards the abyss
A feeling of terror has overtaken the island, reports David Housego

There is a sense in Sri Lanka of a country slipping towards the abyss. Two of the gloomiest assessments of recent days have come from the country's leaders.

President R. Premadasa, who launched his Administration on a hopeful note of reconciliation eight months ago, said: "An atmosphere of sorrow, fear and terror has overtaken the country. In schools and universities, villages and towns, violent attacks and brutal killings (have) increased."

Mrs Sirima Bandaranaike, leader of the Opposition and head of the Sri Lanka Freedom Party, told Parliament: "The economy of the nation is fast deteriorating and the democratic structures are crumbling. The coming conflagration will soon engulf us all if we cannot intelligently and unselfishly halt it."

"Conflagration" may be too strong a word. But it is increasingly touch and go how long the Government's authority can stand up to the inroads being made by the extremist Sinhalese organisation, the JVP, in the past two or three months they have enormously extended their grip through government offices, state-run and private enterprises - using the tactics of fear and intimidation to provoke shut-downs at will.

Managers negotiate with anonymous JVP cadres who contact them by phone over the running of their enterprises and unemployed youth - and as such it has the sympathy and understanding of many in the middle class who have most to fear from its success.

In a country's downward slide there are few landmarks to chart the course of half-educating and unemployed youth - and as such it has the sympathy and understanding of many in the middle class who have most to fear from its success.

In retrospect, his aim seems to have been to build up an alliance with the "have-nots" of society - including the lower-caste groups from which he comes, the JVP and the Tamil Tigers. He thus shunned the Colombo establishment, launched populist economic programmes and appealed for negotiations with the JVP and the Tigers.

But a hall of wool unbound in his hands. He

The chief news editor of Sri Lanka's state-owned television corporation was killed yesterday as part of the campaign by the extremist JVP organisation against what it calls "biased" reporting by the official news media, David Housego reports from Colombo.

Mr Kulasinghe Amarasinghe, 60, was shot by three men who arrived at his home on bicycles. His death follows the killing of a TV news presenter and a senior radio executive.

The JVP intends that the killings will put pressure on the Government to give more space to opposition viewpoints in their coverage of the news.

Such tactics have provoked a wave of resignations from the state broadcasting media by journalists. Security forces have been using force to get some journalists back to work.

Police and military sources said on Sunday at least 35 people, including two policemen, had been killed in the past 24 hours. Reuters adds from Colombo.

The bodies of 14 unidentified civilians were found at the roadside at Embilipitiya in the south on Saturday night.

The foreign exchange reserves are virtually depleted and foreign banks are increasingly reluctant to provide needed guarantees on credit lines for Sri Lanka.

The Fund, which is sending a further mission to Sri Lanka in a week's time, is seeking food and fuel price increases to curtail budget subsidies.

The President fears these could play into the hands of the JVP. But without an agreement with the IMF and the balance of payments relief this could provide, Sri Lanka could face worse shortages and higher inflation.

With the economy, as with the country's political woes, President Premadasa inherited the problems he now faces. But his seven months of management seems to have left them worse. He has ruled according to his own instincts, consulted his ministerial colleagues minimally and relied dangerously on astrologers. He now finds himself increasingly isolated.

In retrospect, his aim seems to have been to build up an alliance with the "have-nots" of society - including the lower-caste groups from which he comes, the JVP and the Tamil Tigers. He thus shunned the Colombo establishment, launched populist economic programmes and appealed for negotiations with the JVP and the Tigers.

But a hall of wool unbound in his hands. He

released 1,850 JVP supporters, including some hardliners, shortly after he came to power, in a gesture of good will.

But the movement responded by intensifying the pressure against him so that he was forced to reimpose the emergency and to resume the crack-down against them. Meanwhile much intelligence work had been lost and the police demoralised.

In his dealings with India, the President had hoped that he could force a speedier withdrawal of the Indian forces by a blustering, public approach. He has had to best a humiliating retreat to the more normal methods of diplomacy.

His major success has been his agreement with the Tigers who announced on June 28 the ending of their 17-year guerrilla war with the Government. But this understanding has still to survive the test of a Sri Lankan agreement with India, which is refusing the immediate ceasefire and withdrawal of Indian troops.

As Mr Premadasa has grown more isolated, so Colombo has been thick with rumours of plots to overthrow him. "I sometimes feel I cannot get to sleep at night because of the whistling," says one diplomat.

But constitutionally it is very difficult to remove the President. There is also no sign that the army would want to pull down the country's institutions, which would be the consequence of a coup d'état.

An accelerated Indian troop withdrawal would undoubtedly strengthen the President's position and remove one of the thorns in the JVP's campaign against him. But regaining the initiative against them requires the long and patient intelligence work required to dismantle their organisation.

In the President's seeking the advice of his cabinet ministers and of Parliament this week, some see the signs of a chastened man now more willing to consult. But on the edge of the abyss, the President still seems to have most confidence in himself.

Global securities regime

Continued from Page 1
However, officials involved in the talks say they will seek a common approach to capital adequacy, which they consider one of the key regulatory issues. This will be based on a system for measuring the exposure of firms in the securities markets similar to that used in the US and UK and which Japan plans to start phasing in next year. It will be backed by an information-sharing agreement which will enable regulators to keep track of firms.

The officials stressed that considerable work will still be needed before the new regime is agreed in detail and put into operation. But they described the agreement on a common approach as a big step forward and emphasised the urgency of the need for regulators to cooperate more closely.

WORLD WEATHER table with columns for location, temperature, and conditions.

Syrians storm stronghold

Continued from Page 1
Sbha Moslem Amal militia backed by Syria, said earlier in Damascus that he had received a text about the fighting from Mr Jumblatt.

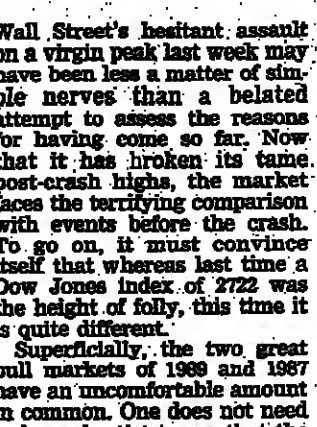
and Christian sectors of the city, and Reuters news agency reported that the US, Argentine, Turkish and Brazilian ambassadors and the French ambassador's residence had been hit by shells.

Botha, de Klerk to meet

Continued from Page 1
The potential importance of meeting planned on August 28 between Mr de Klerk and Zambian President Kaunda, which triggered the dispute.

Political analysis notes that the position of State President, created in 1984 with especially strong powers to deal with township unrest, allowed Mr Botha to pursue an increasingly authoritarian leadership style which eroded democracy within the party.

Wall Street looks before leaping



Wall Street's hesitant assault on a virgin peak last week may have been less a matter of simple nerves than a belated attempt to assess the reasons for having come so far. Now that it has broken its tame post-crash highs, the market faces the terrifying comparison with events before the crash. To go on, it must convince itself that whereas last time a Dow Jones index of 3722 was the height of folly, this time it is quite different.

Superficially, the two great bull markets of 1988 and 1987 have an uncomfortable amount in common. One does not need to be a charlatan to see that the 25 per cent rise in the US and the 30 per cent rise in the UK this year are almost carbon copies of the 1987 movements. Technicians and momentum analysts can further confirm the market to be almost as overbought now as it was then.

The economic comparison between the two periods is only marginally more encouraging. While inflation and short term interest rates are higher than in 1987, bond yields are lower, and the yield gap between equities and bonds is much more comfortable. The big difference, however, is in earnings valuations. Since the crash, earnings have increased by over 50 per cent in the US, so that the present market multiple of about 13 is much closer to post-crash lows of 10 or so than to the 20 times reached in the summer of 1987.

However, as p/e ratios have not been the main factor driving the market up, there is no reason why they should keep it there. Instead, the two things responsible for the rally are the idea that the economy is heading for a soft landing and, more important still, the lashings of liquidity in the system.

As props, both are a little shaky. Even though the latest US figures add to the happy picture of an economy that is growing a little even while inflation falls, it is still unclear whether recession has really been avoided and if so, whether equities and bonds can both go on enjoying the fact.

Liquidity is an even worse reason for arguing that prices deserve to be where they are. - a lesson that should have been learnt two years ago. The US market is shrinking at a rate of about 6 per cent a year, as companies borrow from the banks to buy up shares wholesale; a position that is not going to go on indefinitely. Of course, if the market is to turn back now, there is no question of a crash, and not just because

profits are higher. Lessons have been learnt; the simple fact that Wall Street is looking this time before it leaps is entirely reassuring.

Building materials

Experience has taught canny observers that forecasts of the UK's construction output have all the subtlety and precision of a bulldozer at full tilt. There are just too many macroeconomic variables, and too many of the levers being pulled are in the hands of the Treasury.

Last week's prediction from the National Council of Building Material Producers that output would fall 1 per cent next year was therefore more significant for its relatively optimistic sentiment than as a hard and fast guide to the future. In spite of the dip projected for 1990, the first annual decline for nine years, it looked forward to a 4 per cent rise again in 1991, partly in the hope that public spending on the infrastructure will be making headway as a prelude to a general election. For the stock market, things are not so clear cut. The building materials sector is caught in a cross-fire between bullish and bearish camps, but what makes the battle intriguing are two newer forces at work.

One factor should be well discounted: the downturn in the housing market, with its knock-on effect on bricks and plasterboard and its direct impact on the housebuilding side of Tarmac in particular. That Tarmac's shares are trading at a prospective p/e of only about 8.5, and BPI's on 8.7, is a fair indicator. Less easily grasped is the impact of the two more recent elements. One is the Government's promise of 212bn to be spent on road-building in 10 years. The other is the extra attention the market has paid to the building materials producers' agree-

ment reserves since Minoro's bid for Gold Fields, and since the disclosure in Tarmac's annual report that it plans to revalue its mineral resources at a figure doubleless far exceeding the \$300m-odd in last year's accounts.

With road-building, the difficulty is, of course, the political hype lurking in the 212bn figure. Given the cost overruns that have plagued Eurotunnel, 212bn may end up constructing far fewer motorway miles than now hoped. So far this year, the Department of Transport has let a mere handful of road construction contracts. Road-building will feed through to order-books; but the time-scale may be protracted.

As for aggregates, the high multiple the stock market gives to Barron Group, one of the purest plays on dry-stone reserves there is, makes plain the issue's importance. The difficulty lies in convincing investors generally that balance sheet strength matters to stocks as cyclical and earnings-driven as the building materials sector.

Formula shares

Blue Circle's "formula share alternative" offered to Myson's shareholders may be a first in corporate finance, and as such it is an unwelcome addition to the British Judd "formula". The idea is that shareholders are given a fixed value, rather than a fixed number, of shares: the number they actually receive will depend on the share price immediately before the offer goes unconditional. While some investors might like that kind of certainty, the approach is wide open to manipulation. Simply by ramping the value of the shares in the final stages of the bid, a company can significantly reduce the value of its offer. Given the usual habit of the shares of bidding companies to rise just before a bid goes unconditional, and all the bullish hype and fall afterwards as the shares hit the market, it is doubtful whether shareholders are being offered good value.

In the case of Blue Circle, however, there is no question of any fancy intentions. The primary offer is in cash with a formula alternative, the deal is recommended, and the value of the share offer is lower than the cash offer. Had it not been for all that, the Takeover Panel would almost certainly have refused permission; it is to be hoped that it remains equally fussy about giving its approval in the future.

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INSIDE
Seeking harmony for securities rules

The warning from Fed chairman Alan Greenspan (left) that "the nature and regulation of securities markets have been sufficiently diverse that a multilateral regulatory approach along the lines of the Basle agreement on capital guidelines for commercial banks may be difficult" might have put off a few faint hearts. But the International Organization of Securities Commissions is preparing to grasp the nettle and take a leading role in promoting greater harmonisation of the regulation of the world's securities markets. Page 17

Conventional wisdom upset
Everybody knows that bond investors hate inflation because rising prices for food or shelter destroy the purchasing power of a fixed income. Everybody knows they love falling prices because then their coupons and principal can buy more of everything. So, why did the US bond market fall apart last Friday? James Buchan investigates. Page 18

When humility pays dividends
It is generally assumed that the success of Japanese companies can be attributed to carefully devised strategies. Not necessarily so, says Michael Skapinker. In the Business Column, he reports on research that suggests that this success has in fact been achieved through senior managers being humble enough to admit that they were wrong rather than sticking to pre-conceived notions. Page 22

Shifting focus
When the Bank of England published its latest quarterly bulletin last week it did not seem too concerned. Its message was that adjustment in the economy was progressing as expected, although there remained some way to go. But if there was an axe for worry the Bank seemed to agree that it lay in the labour market. Ralph Atkins looks at how the glits market is seeing these inflationary wage pressures replace concern about the consequences of excessive domestic demand growth. Page 18

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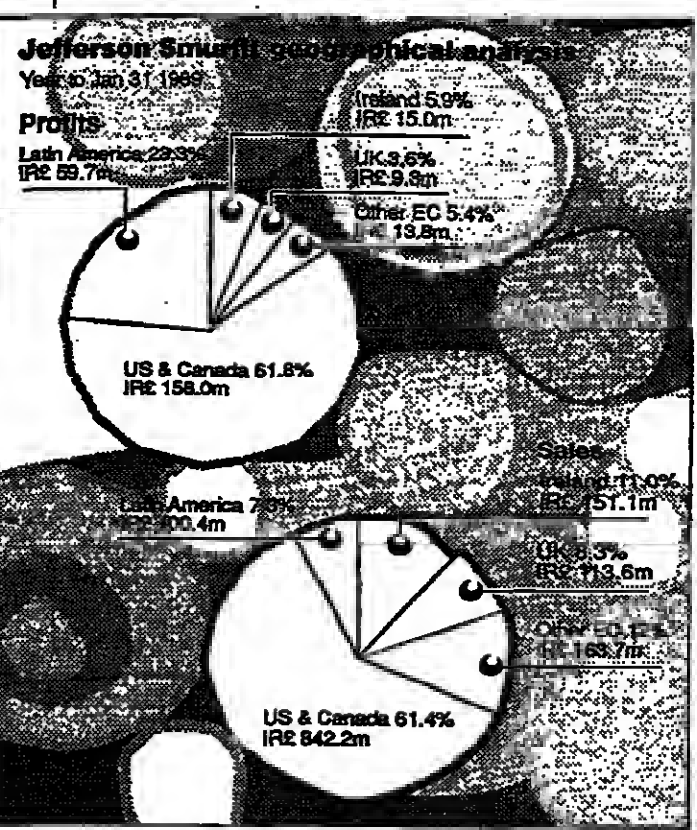
Return trip to the leveraged buy-out market

James Buchan and Maggie Urry on the joint venture Jefferson Smurfit is planning for its US businesses

The announcement that Ireland's Jefferson Smurfit plans to combine its US businesses into a new joint venture with Morgan Stanley has bewildered and intrigued the paper industry and set off a flurry of speculation in the US, UK and Irish stock markets.

The August 4 announcement, a dense mixture of Irish mist and US bankerspeak, has caused some confusion. What is clear now is that Smurfit, Ireland's largest industrial corporation, is about to extract \$1bn in cash by amalgamating and then borrowing heavily against its already highly indebted US packaging and newsprint businesses. In household terms, Smurfit is taking out a second mortgage.

Amid rampant speculation in the financial markets about how the company planned to use the money, Mr Robert Holmes, Smurfit's chief financial officer, last week played down the possibility that it would be used to launch a US bid and indicated that the goal was to shift the group's geographical balance towards Europe. "It would be difficult to restructure the US and then sud-



denly plunge in again," he said. Smurfit's proposal is more than just another Wall Street Adventure in Leverage. At the very moment when Sir James Goldsmith is trying to persuade a sceptical City to finance a leveraged buy-out of BAT Industries, Smurfit is broadly planning a second leveraged buy-out of its US operations. As Mr Howard Kilroy, the Irish group's president, said in an interview in New York last week: "We've shown we can use leverage sensibly and wisely. The UK and European attitude is different from here. It's almost a cultural thing."

So far, the UK and Irish stock markets have rallied to the plan. Smurfit stock, which was at 450p before the deal just over a week ago, was trading on Friday at 540p, up 82 per cent. "The markets have given us substantial support," said Mr Kilroy.

The deal is hideously complicated and will probably take months to complete. For a start, Smurfit and Morgan Stanley have to buy out the public shareholders of one US business, Jefferson Smurfit Corp, before they can have a free hand to merge it

\$350 a ton in 1985 to \$410 now, according to Mr Robert Bishop, an analyst at Salomon Brothers.

Smurfit's managers, under Mr James Malloy, chief US operating officer, were quite ruthless. Employees were fired in droves. Costs fell as prices were rising. Container's profits rose sharply - to \$127m last year - and the company was able to pay off nearly half its debt. The silver of \$70m in equity soared in value.

Investors in a typical leveraged buy-out in the US usually seek to cash in their equity profit by selling shares to the public. But Smurfit and Morgan Stanley are taking a more ambitious route. They want to combine Container Corp with JSC, and then leverage the combined business so deeply they can take out \$1.5bn in cash dividends.

This is leveraged buy-out Number Two and it works like this. A new company, owned by Smurfit and a new group of Morgan Stanley investors, will buy the manufacturing businesses for about \$3bn. They will raise this money from bank loans and junk bonds secured against the assets of the combined manufacturing businesses.

About \$650m of the \$3bn will be needed to pay off the lenders to the Container Corp buy-out and \$380m to buy out the 22 per cent minority in JSC. But that still leaves a lot of money for the equity owners of Container Corp. Morgan Stanley plans to take home some \$140m, its investors \$360m and Smurfit \$11m, a part of which will have to go back in as equity in the new company.

There is a risk that the new company, which will be highly leveraged, might fall if the North American paper markets turn down. But for Smurfit in Ireland, the tangible risk is limited just to its equity stake, which will prob-

ably be about \$100m. If the new company fails, the banks and new junk bondholders will have no legal recourse to Dublin. "Under no circumstances can the Jefferson Smurfit Group be on the hook for the new company's debt," Morgan Stanley said.

With its new \$1bn war chest, Smurfit could theoretically launch leveraged buy-out Number Three. With \$1bn in equity, Smurfit could borrow enough to buy, say, a company as large as International Paper, the world's largest paper company, which is valued in the stock market at \$8bn.

Many analysts believe that the North American paper cycle is indeed about to turn down and that this helps to explain the apparent shift in the company's focus towards Europe.

Mr Holmes said the company's "war chest" would be used to build up a network of European businesses sticking to areas Smurfit knows best - corrugated and carton board, box making and recycling waste paper.

The prospect of 1992 has already caused one big European merger, that of Carnaud and MB, two packaging groups which concentrate on cans and plastic packaging. In paper packaging, Svenska Cellulosa of Sweden has made a string of acquisitions and now claims to be the leading corrugated cardboard maker, with 10 per cent of the market.

In the interview last week, Mr Kilroy said: "In a sense, the whole world is our oyster. We've done well in the US relative to our other operations in Latin America and Europe. We want to grow in Europe in particular at a quicker rate to achieve a better balance. We've never done a hostile deal. But as you can imagine, we are getting a lot of proposals. Our 'phone is already ringing."

Why Wall Street finds the news confusing

By Anthony Harris in Washington

The financial markets put up what is becoming a typical performance on Friday. Stocks and bonds both rose sharply on the first announcement of a fall in producer prices and a recovery in retail sales. By the end of the day they had gone sharply into reverse, with the Dow-Jones index swinging through 40 odd points between its high and its low.

This kind of double-take is often put down to program trading: a sharp rise can easily trigger automated profit-taking. However, there is another reason for second thoughts, which is just as common: reading the small print.

On Friday the small print was down to one small letter: an "r" printed at the top of the Commerce Department's figures for retail sales in May and June, meaning that the figures had been revised (as they always are). You had to look up the previous

statistical releases to discover what was being revised. May had been revised up by \$2.2bn (\$1.4bn from the first guess, and June by \$1.7bn.

These changes quite transform the picture of sluggish retail sales in recent months. The announced changes in sales in May last three months added up to growth at an annual rate of 3 per cent. Take in the revisions, and it goes up to 8 per cent. Since the July figure will itself almost certainly be revised upwards, this is no doubt still an underestimate.

The first figure means falling real volumes, and a further rise in savings, which is just what is needed to justify the double-take.

The backroom analysts who drew attention to these figures were able to add confirming evidence - the recent employment figures (again affected by sharp

upward revisions on job creation), the falling claims for unemployment benefits, the revival of housing sales; the current joke is that this is not so much a soft landing as a soft take-off.

It is easy to blame the bureaucracy for generating this statistical fog, and fashionable to blame their shortcoming on low official pay. This is indeed a problem in the higher reaches: the US Treasury, especially, is looking hollowed out, as one key expert after another leaves the public service to earn twice as much with a bank or an accounting firm with an office in Washington.

However, Congress and the markets must share the blame. Congress prescribes by law the figures which must be published, and it insists on early snapshots of figures which would be hard to collect in any economy, and are especially hard in this huge, individualistic market, where filling in official forms is a low priority.

It is a well-known rule that the quicker the statistics are compiled, the bigger the errors will be.

The markets are to blame for not reading the label on the product: the advance retail sales figures, it says clearly, "are based on early reporting by a small sub-sample of the Bureau's retail panel" - an opinion poll to forecast an opinion poll. The officials do well to keep revisions down to an average of about 1 per cent - three times as accurate as political polls.

But once the corrections are made, is the picture clear? There is another kind of polling which still speaks of a pretty soft economy - the surveys of purchasing managers and plant managers, and the reports from the regional Federal Reserve banks. It was these reports which provoked the original boom in the bond market, while the equity market continued to float on a flood of buy-out money; and they are still try-



ing to send some important messages.

The first is that the US economy is now working more comfortably within its capacity; that is borne out by reports showing lower levels of plant utilisation and quicker deliveries; no overheating. The second is that there are still some real soft spots: the automobile market, which accounts for a fifth of all retail sales, and the computer market. It is worth remembering too that the "bullish" employment figures owe at least as much to demography as to the demand for labour.

Finally, remember that the great export boom is now cooling off, by all accounts, statistical and survey. It was bound to happen: growth could hardly be sustained at an annual rate of more than 20 per cent, and US companies are still discovering the joys of exporting in growing numbers. There is nothing much to suggest that the dollar is anywhere near being over-valued again; but

Economics Notebook

Boost for anecdote and surveys

EVERYBODY seems to agree that the British economy is slowing down. What remains unclear is whether it will achieve that much-hoped-for "soft landing" of disinflation without stagnation or recession.

It is at uncertain times like these that economists become acutely aware that traditional economic indicators - which in Britain are often bad guides at the best of times - are inadequate.

This week sees publication of a host of economic numbers covering inflation, unemployment, output and monetary trends. But the most up-to-date will give indications of what happened last month, while some, such as the increasingly important average earnings figures, will reveal what happened in June.

Such historic perspectives are especially unhelpful with the economy in a state of change. After many years of robust economic growth in Britain, it has come as something of a surprise to realise that the slowdown will involve not just one turning point but many, affecting different sectors and regions at different times.

In these circumstances, the authorities and some City commentators have started paying greater attention to survey and anecdotal evidence.

The Confederation of British Industry says there has been a marked increase in interest in its industrial trends surveys in recent months. Last week's Bank of England bulletin is peppered with references to the CBI industrial surveys and the investment surveys published by the Department of Trade and Industry. In reaching their conclusions, the Bank's economists have also been able to draw on the insights of the Bank's regional offices, which keep close contact with indu-

stry and commerce.

It is probable that such anecdotal evidence has been under-regarded for far too long. One can only speculate on what would have happened if the Treasury's economy watchers had been briefed to keep an eye on events around them in the boom year that followed the last election.

Would they, for example, have warned up earlier to the inflationary potential of equity withdrawal from the housing market if, about 18 months ago, they had taken note of a sudden rash of advertisements in newspapers urging home-owners to "smack" the value of their homes?

Anecdotal evidence needs to be used with caution, however. The Chancellor's policy of squeezing demand with high short-term interest rates has partially reversed the old north-south prosperity divide, leaving more spending power in the less heavily mortgaged north.

In addition, it has increased generational differences in disposable income so that consumer demand will not be totally depressed, even in the south-east.

Households where the mortgage is paid off and the children have left home are profiting from increased returns on their savings. Perhaps that is why most of the proud owners of C-registered cars, shown collecting them from dealers in the early hours of August 1 on a recent television news bulletin, appeared to be well into what used to be called middle age.

The increased appetite for survey evidence about the economy is being met by increased supply. Dun & Bradstreet, the American business information group, has added Britain to its international business optimism surveys. The CBI is planning surveys of business opinion in the man-

THIS WEEK

A FLURRY of economic statistics this week is dominated by figures for the US trade deficit and the UK inflation rate, both of which may have a big influence on trading in financial markets.

With the US economy beginning to slow, analysts will be looking for signs of follow-on effects on the trade deficit. The consensus of analysts forecasts, compiled by MMS International, the financial research company, is for Thursday's figures to show a merchandise trade deficit of \$1.6bn in June on a customs imports basis.

Similarly, the UK retail price index for July, which is released on Friday, will be scanned to see if the annual inflation rate has peaked. The consensus is for a monthly rise of 0.1 per cent, leaving the annual rate unchanged at 8.3 per cent.

Figures for UK June average earnings on Thursday will be closely watched for an acceleration in wage pressures. Analysts expect the underlying annual rate to rise to 9 1/2 per cent from 9 1/4 per cent in May.

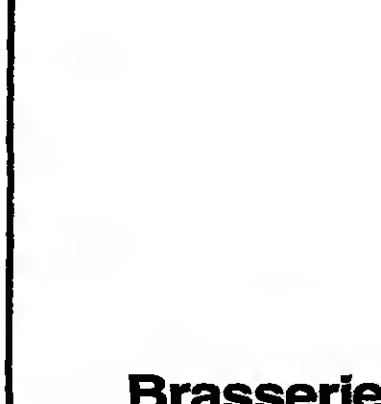
Money supply figures for July, on Friday, will show the strength of economic activity and borrowing. Bank and building society lending is expected to have increased by \$2.5bn M3, the narrow money supply measure, and M4, the broad measure, are expected to have risen by 0.3 per cent and 1.3 per cent respectively.

Provisional retail sales figures for July, which will give important clues about the strength of consumer spending, are published today. A rise of 0.2 per cent is expected.

Inflation also features highly in the US, with the consumer price index for July published on Friday. A rise of 0.2 per cent on the month is forecast.

Indicators of the strength of US economic activity come in figures for industrial production and capacity utilisation on Wednesday. A rise of 0.2 per cent and a utilisation rate of 85.5 per cent are expected.

RPI



French consumer price inflation figures for July are released on Thursday. A small fall in the annual rate is widespread after June's 3.6 per cent.

In Australia, Mr Paul Keating, Treasurer, unveils his budget for 1989-90 tomorrow. The following day, current account figures for July are released.

Japanese money supply numbers for July are expected on either Thursday or Friday. West German wholesale prices for July are also due this week.

Other events and statistics (with MMS International consensus in brackets) include:

Today: UK, July producer prices indices (Output prices 0.3 per cent rise, seasonally-adjusted input costs 0.3 per cent fall). US, business inventories (0.4 per cent rise). French market closed (until Wednesday).

Tomorrow: Japan, wholesale prices for July. UK, British chamber of commerce quarterly economic survey.

Wednesday: UK, June indices of output by manufacturing (0.3 per cent rise) and total industrial production (flat). Public sector borrowing requirement (minus £1.3bn). US, housing starts in July (1.42m).

Thursday: UK, unemployment (fall of 25,000). Provisional vehicle production figures for July.

Friday: France, industrial production for June.

August 1989

BSN

through its wholly owned subsidiary

Brasseries Kronenbourg S.A.

has acquired majority control of

Henninger Hellas S.A.

The undersigned initiated this transaction and acted as financial advisor to BSN.

Salomon Brothers International Limited

UK COMPANY NEWS

Ward White lifts forecast to £34m

By Philip Coggan

WARD WHITE, the retail group which is resisting a £500m offer from Boots, yesterday produced an interim pre-tax profits estimate of £34.2m, a 23.5 per cent increase on the same period last year, thanks partly to acquisitions.

per cent up at £110.2m. The chain opened a further 20 superstores, bringing the total to 114; sales, on a comparable square footage basis, grew by over 15 per cent.

series division, which included a first time contribution from R & S/Strauss, increased operating profits from £6.1m to £7.8m on sales which rose to £55m (£48.1m). Sales at Whitlock and Rose Auto improved 6 per cent in dollar terms.

a rival leveraged buyout offer to the Boots bid. The news knocked Ward White's share price to around the value of the Boots offer, allowing Boots to pick up a further 7.3 per cent in the market and take its total holding to 19.8 per cent.

Blacks calls on Goldberg to quantify its losses

By Philip Coggan

BLACKS Leisure, the retailer and fashion goods manufacturer, has called on the board of A Goldberg, the Glasgow-based retailer for which it is making a £35.7m bid, to quantify the losses it has sustained since its trading year began on March 26.

SeaCon recapitalisation plan to ward off bid

By Philip Coggan

MR JAMES Sherwood, the president of Sea Containers, said yesterday that he expected in October to be able to put a recapitalisation plan to shareholders in his efforts to fight off an \$824m (\$506m) hostile bid.

received an offer of over \$400m for his standard dry cargo containers and of \$100m for his Isle of Wight ferry operations.

between \$70 and \$100 per share, while the mechanics of the sell-offs were being implemented.

TR Australia shareholding changes hands

International Financial Markets Trading, a City-based investment trading organisation, has sold its 5.17 per cent stake in TR Australia, a £45m fund managed by Touche Remnant.

Last week, TR Australia unveiled plans for a change in investment policy and a scrip issue of warrants, but these found little favour with the River Plate and General Investment Trust, the company's largest shareholder.

River Plate owns 29.9 per cent of the voting rights and has indicated that if it decides to oppose the trust's plan, it will offer an alternative suggestion for the fund's future.

However, County NatWest Wood Mackenzie, TR Australia's advisers, said that they had handled the placing of the stake and the shares had gone into "friendly" hands.

Randsworth finishes with £7.6m

By Paul Cheeseright, Property Correspondent

RANDSWORTH Trust, the USM-quoted property company which last month acquired a £258m offer from JMB Realty Corporation of Chicago, announced a pre-tax profit increase of 16 per cent for the year ended June 30 1989.

independent company. Profits were £7.64m, against £6.58m the previous year, producing fully diluted earnings per share of 9.82p compared with 8.23p.

per share was 81sp as forecasted at the time of the takeover announcement. This is 7p less than the offer by JMB.

COMPANY NEWS IN BRIEF

CHEMEX INTERNATIONAL is delaying publication of the interim results until trading in the shares is restored.

HIGHGATE & JOB Group: Directors say they have received no approaches and have no knowledge of any offers for the company.

and Sperfit Tyres and Exhausts with 4 centres in Northern Ireland. The acquisition brings the total number of Kwik-Fit centres in Europe to 607.

S&P Return of Assets value up

Save & Prosper Return of Assets Investment Trust had a net asset value of 312.7p per share at May 30 compared with 255.7p a year earlier. After exercise of warrants the value was 277.2p (229.5p).

Net revenue for the year was £2.5m (£2m) for earnings per share of 7.57p (4.92p) basic and fully diluted 6.33p (3.78p). As already announced, a final dividend of 2.4p makes a total of 4.36p (3.87p) for the year.

LONDON INTERNATIONAL Group has acquired Miniprints, a photocopier company servicing estate agents' accounts in Scotland and the north of England and Discript which serves pharmacies and photographic dealers in central Scotland.

HOOG ROBINSON & Gardner Mountain is selling its interest in the business of G Howard and Partners, the school fees agency, for £451,000.

MAYER INTERNATIONAL, through its Florida-based subsidiary Stoenmeyer and Shoemaker, has acquired the merchants and timber business of Old South Lumber in Palmetto. The purchase, for about \$1.5m in cash, includes three acres of land.

West Trust makes profit in second half

The acquisition-expanded West Trust made a profit of £548,000 in the second half. That enabled it to erase the midway deficit and finish with £519,000 pre-tax for the year ended March 31 1989, compared with a loss of £313,000.

Kenmare lifts interest in Mozambique mineral project

KENMARE Resources, the USM-quoted Irish natural resources company, has increased its shareholding in a major minerals sands project in Mozambique, from 50 per cent to 95 per cent.

Its previous joint partner, the state-owned Geolozki Zavod of Yugoslavia, retains a 5 per cent carried interest in the project.

Mr Michael Nossall, Kenmare finance director, said a feasibility study on the Mozambique project by Davy McKee of Stockton should be completed next month.

Stavert Zigomala advances

Stavert Zigomala, the Manchester-based furniture and carpet wholesaler, and retailer, raised its profit from £82,000 to £70,000 in the year ended March 31 1989.

Changes in company share stakes recently announced include: Amalgamated Financial Investments: Thromorton Trust sold entire 2.96m shares (7.3 per cent).

SHARE STAKES

Flexelle Castors: Marcel Menko sold 5,000 ordinary at 180p. Total holding now Mr Menko: 135,254 and Mrs JW Menko 675,254 (24.46 per cent).

Israel (Jack L) Drying Corporation has bought 2m shares bringing total to 13.5m (14.85 per cent).

Wholesale Fittings profits rise to £7.4m

WHOLESALE Fittings, the electrical distributor, showed an increase of 9.5 per cent in pre-tax profit, from £5.7m to £7.4m, in the year ended April 30 1989.

The directors said plans were well advanced for the opening of two more outlets at Canterbury and Basingstoke, bringing the number to 43.

FT Share Information Service

The following securities were added to the Share Information Service in Saturday's edition: Abbey National (Section: Banks).

Nationwide Anglia 13.5% Bds. \$3.75 (Loans-Building Societies).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official notices are not available as to whether the dividends shown below are based mainly on next year's trading.

Table with columns: Company Name, Date, and Notes. Includes Northern & Pascoot, P&S Investments, Pacific Assets Trust, etc.

U.S. \$500,000,000 National Westminster Bank PLC (Incorporated in England with limited liability) Primary Capital FRNs (Series "B")

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FINANCIAL TIMES STOCK INDICES Table with columns: Index Name, Aug 11, Aug 10, Aug 9, Aug 8, Aug 7, Aug 6, Aug 5, High, Low, Size, Composition, High, Low.

NORWICH CORRUGATED BOARD LTD £19,250,000 Senior Debt and Revolving Credit Facilities to Fund a Management Buy-Out. Arranged by National Westminster Bank PLC Acquisition Finance Unit. Funds Provided by National Westminster Bank PLC, Banque Indosuez, London Branch, Nippon Credit Bank Limited, The Tokai Bank, Limited, Union Bank of Switzerland, London Branch, Westpac Banking Corporation. Equity and Mezzanine Finance Arranged by Phidrew Ventures. Agent National Westminster Bank PLC. NatWest Syndications.

SAVE & PROSPER FAR EASTERN FUND S.A. NOTICE IS HEREBY GIVEN THAT: 1. Having regard to the revenue deficit, the Directors have declared that no dividend can be paid for the year ended 30th June 1989.

State Bank of New South Wales U.S. \$250,000,000 Extendible Floating Rate Notes due 1993 Guaranteed by the Government of New South Wales. Notice is hereby given that the rate of interest for the period 14th August, 1989 to 14th February, 1990 has been fixed at 8 1/4 per cent.

Notice of Purchase European Investment Bank £100,000,000 9 1/2 per cent. Notes due 1994 Pursuant to the terms and conditions of the Notes, notice is hereby given to noteholders, that during the twelve-month period ended August 3, 1989, £5,000,000 European Investment Bank's 9 1/2 per cent. Notes due 1994 have been purchased in satisfaction of the purchase fund.

INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Buy-out woes fail to dampen bank enthusiasm

THE well-publicised woes of several management buy-out financings have failed to dampen bankers' general enthusiasm for the product which yields higher margins and fees than anything else around.

On Friday, Bankers Trust, lead banker for Magnet's \$330m debt financing, sent shockwaves through the loan market when it announced it would withdraw the deal from syndication, leaving the nine underwriters holding much more debt than they had expected.

In explaining its reasons, Bankers Trust said the move was made "in light of various circumstances affecting the financing market for loans to this particular sector of borrowers, particularly the widely publicised difficulties experienced recently by transactions viewed by the market as being comparable."

Magnet's bankers had been trying unsuccessfully for about a month to syndicate the loans. The efforts came against a backdrop of bad news for the home furnishings end of the retailing business generally. Two weeks ago, it emerged that MFI, a kitchen and bedroom furniture retailer created by the largest MBO on record in the UK, was able to meet only 82 per cent of its current year sales targets and was talking to its bankers about changes in its financing.

Banks have been given until early this week to respond to a plan from MFI that calls for an injection of about £30m in equity funding from mezzanine investors and a restructuring of medium-term maturities. About £15m falls due in 1989 with another £25m due in 1990.

Lowndes Queensway, the furniture and carpets retailer, is holding talks with its bankers about a major financial restructuring of the company and an announcement is expected this week.

"The retailing sector has been hit with a double whammy," said one banker. In short, while rising interest rates have increased the cost of borrowing for many companies, they have also had the effect of reducing consumer purchases. So while expenses are rising, sales are falling - a bad combination in any event. But news that several recent

mammoth MBO's in the home products business have fallen on hard times notwithstanding, banks are apparently still eager to earn the hefty fees and mammoth margins available on the transactions.

Indeed, Charterhouse, which last week announced it was ceasing efforts to arrange a MBO for Ward White's DIY business, said it believed it had come up with a "bankable" plan that lenders would have happily backed. However, seen in the context of an MBO for the entire company - which is fighting off a hostile bid from Boots - the deal was not saleable. In order for an MBO of the entire company to have worked, Ward White would have had to sell the DIY businesses of his Playless and Pads subsidiaries to its management at a price so high the sales would not have comfortably covered the debt service and other expenses.

Similarly, bankers said, the question of price marred the ability of Coleroll to arrange an MBO for its MDC carpet distribution business. Had Coleroll offered to sell the unit at a lower price, bankers would have happily joined in the financing, despite the sensitivity of the sector to high interest rates.

Bankers also remain enthusiastic about the financing for, to become the UK's largest, citing the resistance of food retailing to slow-downs in consumer spending. Even when the economy is poor, people will continue to buy food, but carpets and kitchens are easily dispensed with, bankers reason.

But data from the University of Nottingham's Centre for Management Buy-out Research (COMBOR) suggest that relatively few buy-outs occur in the retailing sector. Data through the end of 1988, the most recent period available, show MBOs of retail distribution and repair companies accounted for only 5.41 per cent of all business from 1982 to date. In contrast, the business and other services category accounted for 13.56 per cent of all activity while mechanical and instrument companies accounted for 12.38 per cent.

But a quick reading of offer-

ing documents for any MBO provides a quick insight into why bankers are willing to take risks. Margins on the senior debt portion of these transactions typically are 1 1/2 to 2 per cent over Libor and subordinated debt carries margins much higher than that. With margins on loan facilities at 7 1/2 or even lower, it is easy to see the attraction of MBO financing.

And with sovereign and corporate loan demand down significantly from last year's levels, MBO lending has provided a badly needed lift to the market.

But while bankers remain enthusiastic, supervisors are injecting a note of caution. The Bank of England is stepping up its surveillance of MBO lending. A spokesman said that the Bank is "asking more pointed questions about assessments of risk than we were a few months ago." However, the Bank has not deviated from the view expressed by Governor Robin Leigh-Pemberton earlier this year that UK companies maintain low rates of leverage compared with foreign counterparts and that MBO lending domestically has not been excessive.

Norma Cohen

INTERNATIONAL LOANS

Swiss franc bullet issue hits difficult target

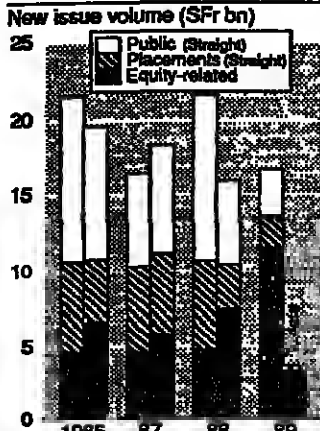
LAST Friday, the Swiss franc foreign bond market witnessed an issue which at any other time might have been seen as a sign that the bleak situation of earlier this year was improving.

A swap-driven bullet-maturity Sfr100m five-year private placement was launched by Deutsche Bank (Suisse) for Abbey National Treasury Services. It would be hard to imagine a combination that might better indicate the health of the market - a foreign borrower, a foreign lead manager, and a swapped straight deal all implied that the market's recurrent problems might have over. The truth is rather less positive.

The Abbey deal, which was swapped into floating-rate US dollars, had an acceptable reception, and was quoted by the lead manager at around less 1 1/2 bid, a discount just outside fees to co-managers. There were reports of demand from Swiss institutions and some German banks. Deutsche Bank even said it had had less trouble syndicating the deal than it had anticipated.

However, the straight sector of the market remains in the shadow of its equity-linked rival and economic fundamentals look like keeping it there for the rest of this year. The yield curve remains sharply inverted, offering investors little incentive to put their money into fixed-rate instruments.

Swiss Franc Foreign Bonds



Analysts point to the outlook for inflation (despite the Swiss central bank's continued tight monetary policy) and worries over the course of the US dollar as the principal reasons for a lack of decisive demand. In addition, there has been a lack of arbitrage opportunities for many months, and only the occasional easing has allowed deals to be launched.

"Volumes of straight new international issues are down by around 70 per cent over the comparable period last year," said one syndicate manager last week. In the domestic market, the picture is not much better. In July and August 1988, 16 issues worth Sfr1.6bn

were launched. This year, the figures are seven issues worth Sfr980m.

The chart shows the extent of the swing in favour of equity-related deals. Straight issues in both the public and private placement sectors have declined markedly, particularly in 1989.

As the Tokyo market has resumed its upward march and the Swiss domestic equity market rallied to its pre-crash high, demand for Japanese equity warrant and convertible bonds was tempered only by the increase in funds being committed directly to the equity markets. Last week, for example, saw Citicorp's equity warrants deal for Furuno Electric trade very strongly in both its cum-warrants and plain warrants forms.

In addition, there is a growing market for covered warrants, a sector which is developing apace. Advocates point to an increasing internationalisation of the market, with deals for Japanese, American and other borrowers becoming typical.

Nevertheless, many syndicate managers and new issue traders think there is more demand for fixed-rate bond deals than might be apparent from the lack of volume. "If you can bring a quality borrower with realistic pricing, then you will find buyers," said one trader.

Given this, the ultimate debacle of the IBM International Finance Sfr140m three-year deal launched on 19 July by Swiss Bank Corporation is increasingly being seen as a significant missed opportunity.

On the day of launch, most reports concentrated on the fact that this was the first triple-A rated straight issue for a corporate borrower since May 1988, and added that this had been the cause of considerable celebration. There was limited comment that the deal might be in some sort of trouble.

Only the next day did it become clear that there had been big problems over the pricing of the deal which had caused its syndication to become a non-event. The bonds offered a 5 1/2 per cent coupon and were considered so tightly priced that none of the houses invited into the deal thought they could sell any paper. "The bonds were priced way below existing three-year paper, there was no way we were going to accept an invitation like that," was a typical reaction from syndicate managers.

SBC was left with no alternative but to become the sole lead manager of the deal, with the result that placement of the bonds has been slow and unclear. "Given that secondary trading of this issue has begun, we are not seeing much paper in the market at the moment," said one trader.

No one except the lead manager and the borrower knows exactly why the pricing came so way out of line to the mar-

ket, but the effect has been unfortunate. Here was just the name investors were looking for to re-open the corporate sector, but it was coming at terms that made the market look silly.

What the market has to hope is that the IBM deal will not deter future borrowers, and that investors can be persuaded that there is real value in the Swiss market.

To some extent, the market's fate lies with the economic fundamentals mentioned above. However, cynics add that there is still a primary need to break down some of the barriers which have protected the market for years.

Andrew Freeman

Primary Market	Gov	FRN	Other
US\$	828.0	40.0	8.290.8
Pre	1,415.3	0.0	2,158.9
Over	1,278.1	0.0	2,391.1
Pre	1,242.9	0.0	2,282.4

Secondary Market	Gov	FRN	Other
US\$	19,881.1	1,434.0	7,261.2
Pre	21,542.2	1,416.6	4,244.9
Over	19,528.6	1,424.1	3,984.7
Pre	19,543.2	888.4	4,744.1

Gov	FRN	Other	
US\$	10,848.0	33,310.6	44,158.6
Pre	17,693.5	36,529.2	49,222.7
Over	27,542.8	35,384.2	42,899.2
Pre	20,506.9	31,990.8	52,057.7

Week to August 10, 1989 Source: ABDO

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Nisshin Steel	400	1993	4	3 1/2	100	Nomura Int.	3.750
Nisshin Steel	200	1993	4	3 1/2	100	Yamaichi Int. (HK)	3.750
Nippon Steel	400	1993	4	3 1/2	100	Yamaichi Int. (Eur)	3.750
Toyota Car Corp	190	1993	4	3 1/2	100	Yamaichi Int. (Eur)	3.875
EDF	50	1990	9 1/2	9 1/2	105 1/2	J.P. Morgan Secs.	8.443
Vitamin A	37	1993	4	20 1/2	100.10	Nippon Credit Int.	8.889
Thailand, Kingdom of	200	1990	10	8.7	100	Salomon Brothers	8.186
Asahi Breweries	100	1993	4	4 1/2	100	Nomura Int.	8.186
Bge Nat. de Paris	50	1994	5	8 1/2	101 1/2	BNP Capital Markets	8.186
AUSTRALIAN DOLLARS							
GMAC Australia	80	1993	4	15 1/2	101 1/2	Deutsche Bk Cap.Mkts	14.804
UBS Finance	75	1994	5	14 1/2	101 1/2	UBS Phillips & Drew	13.461
NEW ZEALAND DOLLARS							
Telecom Corp. NZ	75	1993	4	13 1/2	101.90	Westpac Banking Corp	12.463
ANZ Banking Group	80	1992	3	13 1/2	102	Hambros Bank	12.411
D-MARKS							
Prima Meat Packers	150	1994	5	1 1/2	100	Commerzbank	1.625
SWISS FRANC							
Nisshin Steel Co.	300	1994	-	1 1/2	100	Bge Paribas (Suisse)	0.500
Daisaku Corp.	90	1994	-	1 1/2	100	SBC	0.500
Mitsubishi Bank	80	1993	-	1 1/2	100	Credit Suisse	0.500
STERLING							
Agricultural Mortgage	150	1993	5	11 1/2	101.95	Paribas Cap. Markets	10.973
Deutsche Bank Fin.	100	1994	4.5	11	100 1/2	Baring Brothers	10.818
LUXEMBOURG FRANCS							
L.I.V. Int. Finance	300	1992	3	8	101	Credit Europeen	7.615
PIB	300	1992	3	8	100 1/2	Banque Paribas Lux.	7.759
PIB	300	1992	3	8	100 1/2	Credit Europeen	7.759
First Nordic Bank	300	1993	5 1/2	8 1/4	101	C.d'Epargne de l'Etat	7.872
ESAB Finance	300	1994	5	8	100 1/2	Kredittbank Int.	7.937
YEN							
Kansai-Ichi-Oriental P.	3bn	1992	3	8	101 1/2	New Japan Secs.	7.377
Sparakassen SDS	3bn	1992	3	8	101 1/2	Bk of Tokyo Cap.Mkts	8.490
Shoebank	3bn	1992	3	7.2	101.882	Mitsui Fin. Int.	8.497
CIBC	3bn	1992	3	8	101 1/2	Bankers Trust Int.	7.472

NOTICE OF REDEMPTION

To the Holders of

A/S Eksportfinans

13% Sinking Fund Debentures Due 1992
CUSIP No. 282645AA8*

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture dated as of June 15, 1982, as supplemented (the "Indenture"), between A/S Eksportfinans and United States Trust Company of New York, Successor Trustee (the "Trustee"), that \$60,000,000 principal amount of A/S Eksportfinans 13% Sinking Fund Debentures Due 1992 (the "Debentures") has been selected for redemption on September 1, 1989 at a Redemption Price equal to 100% of the principal amount thereof in accordance with the Sinking Fund provided for by the terms of the Debentures and as specified in Section 1203 of the Indenture. The following are the serial numbers of the Debentures which will be redeemed in whole or in part:

The certificate numbers of the Bearer Debentures in the principal amount of \$5,000 bearing the prefix C to be redeemed in whole:

2003	2006	2015	2024	2030	2036	2046	2053	2057	2066	2073	2081	2088	2094	4002	4010	5939	5948	5982
2004	2010	2019	2025	2031	2041	2047	2054	2061	2068	2075	2083	2090	2096	4003	4011	5942	5958	5986
2005	2013	2020	2026	2032	2044	2048	2055	2063	2070	2077	2084	2090	2096	4004	4012	5945	5959	5984
2006	2014	2023	2027	2033	2045	2051	2058	2065	2071	2078	2085	2092	2098	4005	4008	5944	5961	5987

The certificate numbers of the Registered Debentures in the principal amount of unlimited bearing the prefix R to be redeemed in whole or in part:

Certificate Number	Amount	Certificate Number	Amount	Certificate Number	Amount	Certificate Number	Amount
3981...	\$ 8,000	3985...	\$12,112,000	3979...	\$1,000,000	3922...	\$500,000
3982...	278,000	3926...	40,441,000	3920...	1,000,000	3928...	500,000
3984...	350,000	3916...	1,000,000	3921...	1,000,000	3927...	100,000

Subject to the receipt of required funds by Bankers Trust Company as Paying Agent, the Debentures or portions thereof so designated for redemption will become due and payable, at 100% of the principal amount thereof, upon presentation or surrender thereof, on or after September 1, 1989 at the office of Bankers Trust Company, Corporate Trust and Agency Group, 123 Washington Street, First Floor, New York, New York. If by mail, the Debentures should be sent to Bankers Trust Company, Corporate Trust and Agency Group, P.O. Box 25779, Church Street Station, New York, New York 10008 or in either such case to Bankers Trust Company, London, subject to any applicable laws or regulations in the country where the office is located.

On and after September 1, 1989 interest on the Debentures or portions thereof so designated for redemption will cease to accrue. Payment of the registered interest due September 1, 1989 will be made in the usual manner. Redeemed bearer Debentures should be presented with all coupons maturing after September 1, 1989. Coupons maturing on September 1, 1989 and prior thereto should be detached and surrendered in the usual manner. Upon presentation for redemption of Debentures which are to be redeemed in part only as above specified, a new Debenture of said 13% Sinking Fund Debentures Due 1992, of a principal amount equal to the unredeemed portion of each such Debenture, will be issued in lieu thereof.

A/S Eksportfinans
By: United States Trust Company of New York, the Trustee

Dated: July 31, 1989

IMPORTANT TAX INFORMATION


Please read this notice carefully.

Under Federal income tax law, paying agents may be required to withhold 20% of payments to holders presenting their Debentures for redemption or for payment at maturity if such holders have failed to furnish a taxpayer identification number to the Paying Agent certified to be correct under penalties of perjury (or that such holder is awaiting a taxpayer identification number). Certification may be made to the Paying Agent on a Letter of Transmittal obtained from said Paying Agent, which should be completed and returned with the called Debentures.

*This CUSIP number has been assigned to this issue by Standard & Poor's Corporation, and is included solely for the convenience of the holders. Neither A/S Eksportfinans nor the Trustee shall be responsible for the selection or use of this CUSIP number, nor is any representation made as to its correctness on the Debentures or as indicated in any redemption notice.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE 10th August, 1989



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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Prices data confound bond traders

EVERYBODY knows that bond investors hate inflation because rising prices for food or shelter destroy the purchasing power of a fixed income. Everybody knows they love falling prices because then their coupons and principal can buy more of everything.

would be thrown out of work and prices all over the economy would fall for lack of demand. It was with this prospect in mind that investors drove the long bond yield under 8 per cent in the last week of July.

ing to spend. At the same time, the weakness in the economy has produced some genuine price weaknesses compared with earlier in the year.

softness in the economy, no inflation and a strong dollar. There has got to be a possibility for easing. None the less, it is almost unthinkable that the Fed will ease before the meeting of its open market committee on August 22, and not very likely then.

James Buchan

US MONEY MARKET RATES (%)

Table with columns: Instrument, Last Friday, 1 week ago, 4 wks ago, 12-month High, 12-month Low. Rows include Fed Funds, Three-month Treasury, Six-month Treasury, etc.

US BOND PRICES AND YIELDS (%)

Table with columns: Instrument, Last, 1 week, 1 month, 4 wks, 12-month. Rows include 30-year Treasury, 10-year Treasury, 5-year Treasury, etc.

Money supply: In the week ended July 31, 1989 rose by \$0.1bn to \$773bn.

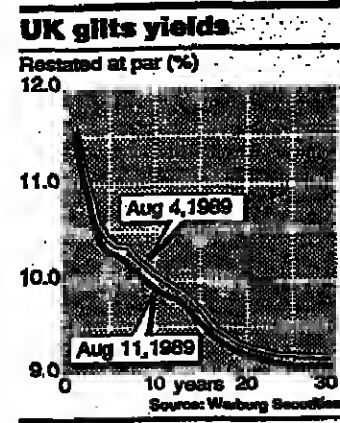
NRI TOKYO BOND INDEX

Table with columns: Instrument, Average Price, Last, 12 wks, 26 wks. Rows include Overall, Government Bonds, Municipal Bonds, etc.

UK GILTS

Wages fears oust those on demand

PROBABLY no great significance was meant by the symbolic illustration of the front page of the Bank of England's short guide to its quarterly bulletin last week was a chart showing the rapid acceleration in unit wage costs in the past year.



But if there was an area for concern about the domestic economy then, the Bank seemed to agree that it lay in the labour market. Rising unit wage costs in the service sector, it warned, could be the economy's 'Achilles heel'.

for the labour market is consistent with its prediction that the Public Sector Debt Repayment (PSDR) in 1989-90 may be less than the £14bn forecast in the Budget. Although the Bank specifically pointed to the take-up of personal pensions as depressing the surplus, slower growth in earnings also means less tax receipts.

when they had to rush purchases to approach the target of fully compensating for the PSDR over the financial year. How much more will be needed to be bought in over the remainder of the 1989-90 financial year depends partly on assumptions about the size of the PSDR and the effect of intervention on the foreign exchanges.

Ralph Atkins

Laurentian posts recovery

By Robert Gibbens in Montreal

LAURENTIAN GROUP, one of Canada's four largest integrated financial services groups, posted a big turnaround in profit in the second quarter.

Half-year profit was C\$14.5m, or 27 cents a share, up from C\$8.3m, or 13 cents, on revenues of C\$1.1bn, unchanged. The life insurance sector contributed C\$6.3m to earnings, against a loss of C\$3.5m a year earlier.

All these securities having been sold, this advertisement appears as a matter of record only.



The Peninsular and Oriental Steam Navigation Company

£100,000,000

11 1/2 per cent. Bonds 2014 Issue Price: £99 1/4 per cent.

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June, 1989

FT/AIRD INTERNATIONAL BOND SERVICE

Large table listing international bonds with columns for Country, Instrument, Price, Yield, and other details. Includes sections for US, UK, and various international markets.

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. CONVERTIBLE BONDS: US dollars unless indicated. Premium above 50-cent offer rate for US dollars. C.m.p. - current coupon. WARRANTS: Equity warrant premium - exercise premium over current share price. Bond warrant on yield - exercise yield at current warrant price. Closing prices on AUGUST 11.

INTERNATIONAL COMPANIES AND FINANCE

Calls to bring watchdogs into line

David Lascelles on moves to harmonise securities rules worldwide

For years, practitioners and regulators of the securities business have been calling for greater international consistency in securities regulation.

In particular, there have been calls for a "Cooke Committee" for the securities industry - a reference to the Basle-based group of international banking supervisors which has been working for more than 15 years on a global regime for the banking industry. Its work culminated last year in an internationally agreed set of rules for capital adequacy which, by general consent, has helped bring greater order and fairness to the world banking market.

The securities industry lacked a comparable body. Now the International Organisation of Securities Commissions (IOSCO) is preparing to take a leading role.

The proposals which the Montreal-based body will be putting forward at its annual conference in Venice next month will mark the first step in the creation of internationally agreed rules for the securities industry. These will reflect the growing internationalisation of securities markets in recent years - and the need for countries to be more consistent in their regulatory approach, and for regulators to be able to swap information to keep track of securities firms' cross-border dealings.

One of the officials close to the discussions said: "There is a real readiness on the part of regulators to go down a common road."

IOSCO's task differs in many respects from the Basle Committee's. IOSCO lacks - at present at any rate - Basle's authority. So it needs to proceed more cautiously to obtain consensus. And consensus will be more difficult to achieve because of the diversity of securities industries in different countries.

Mr Alan Greenspan, the Fed chairman, recently told a Senate Committee that he supported harmonisation efforts. But he warned: "The nature and regulation of securities markets have been sufficiently diverse that a multilateral regulatory approach along the lines of the Basle agreement on capital guidelines for commercial banks may be difficult."

IOSCO accepts that the work



Alan Greenspan supports harmonisation efforts

will be slow. But officials point out that it took Basle more than a decade to get where it is now, and even so its work is not complete.

Whatever emerges from the discussions will also be in the nature of a voluntary agreement, like Basle. But if the Basle pattern is any guide, countries which do not subscribe to it will be conspicuously ostracised by the rest, and risk acquiring a bad name.

IOSCO is a relatively new arrival on the international scene. Established originally as a forum for South American securities regulators, it has grown in the last few years to include all the major industrial nations. Today, it is the leading international body for securities regulators with 50 members, including the US Securities and Exchange Commission, the UK's Securities and Investments Board, the Securities Bureau of Japan's Finance Ministry, and France's Commission des Opérations de Bourse.

Two years ago it set up a technical committee to look into international regulatory problems. This was split up into several working parties, one of the most important of which was to look into the definition and maintenance of capital adequacy for multinational securities firms, and the exchange of financial data between regulators.

Its members include representatives of the 12 countries with the most developed securities industries: Canada, France, Australia, Germany, Hong Kong, Italy, Japan, the Netherlands, Sweden, Switzerland, the US and the UK. Mr

Jeffrey Knight, the chief executive of the London Stock Exchange, was chosen to head it.

Although IOSCO declines to discuss the working party's proposals in advance of the Venice meeting, it is clear that they will advocate a particular approach to the problem rather than put forward a ready-made set of rules. There will not, for example, be Basle-style formulas for capital adequacy or minimum ratios at this stage.

The kind of issues which prompted these discussions included the emergence of huge multinational securities firms, operating in many countries at once, and often engaging in activities abroad which are not permitted in their home countries. Financial innovation has also thrown up new sorts of risks which need to be monitored. All this required more regulatory co-operation.

The main achievement of the group has been to obtain agreement among the leading nations on the type of capital adequacy regime that will become universal. This will be modelled on the so-called risk-based system which links the amount of capital which an individual firm needs to the risks in its trading positions on a daily basis. This is the system used in the US and the UK and which the Japanese have pledged to introduce next year.

This system was thought to be more effective and flexible than alternatives, such as requiring high minimum capital as a condition of entry into the business, but little supervision thereafter. This is wasteful and tends to discourage

smaller entrants.

One event which gave the working party considerable impetus was the October 1987 market crash. Although it happened only months after the group was formed, it showed regulators that they needed to co-operate - and could do so successfully.

More recently, though, they have also been keen to influence the growing debate within the European Community over the shape of the single market for securities. With an investment services directive now taking shape, they want to ensure that the EC regime is consistent with the approach taken by the IOSCO initiative.

Although all the leading EC nations are members of IOSCO, this was no guarantee that the EC would adopt the same tack. "There is a desperate need," one official said, "to ensure that rules in Europe are not developed which are wholly incompatible with those in the UK and the US."

One problem is that, in Continental Europe, the bulk of the securities business is conducted by banks. The IOSCO proposals specifically cover only non-banks. But there is a widely recognised need for banks and non-banks to be similarly regulated for reasons of competitive equality.

The IOSCO proposals are likely to receive a mixed reaction within the securities industry itself. Although many practitioners have backed calls for greater international harmony, others say they are worried that this sort of initiative will only create yet another layer of rules. Practitioners have not been invited to present their view to the IOSCO working party, and this could provoke a stronger reaction when they are laid before the public next month.

IOSCO officials are optimistic that their initiative will eventually produce substantial results. Aside from this working group, there are others looking at multinational share offerings, multiple listings, accounting standards, off-market trading, clearing and settlement, and futures markets.

"There is a great deal of determination on the part of securities regulators from all round the world to deal with these matters," said Mr Jean-Pierre Cristel, IOSCO's assistant secretary-general.

Corona wins battle for Ontario gold mines

By Robert Gibbens in Montreal

CORONA Corporation has won the long battle for Canada's richest gold mines, which are in the Hemlo area of Northern Ontario.

The Supreme Court of Canada, upholding two lower court decisions, has ruled that Lac Minerals must hand over the Page Williams mine to Corona. It has estimated reserves worth between C\$3bn (US\$2.56bn) and C\$4bn. The legal battle over ownership began in 1981.

The court ordered Corona and its partner, Teck Corporation, to pay around C\$210m to Lac to compensate it for development costs for the Page Williams mine.

All five Supreme Court judges found that Lac had broken a confidentiality agreement with Corona by buying claims in 1981.

Lac finally bought the Page Williams property because of information it received under the agreement from Corona, then a small mining company, they said, and that it used the information to the detriment of Corona.

Mr Peter Steen, Corona's president, said his company hopes to take over the mine immediately. Page Williams will produce nearly 500,000oz of gold this year. With its share of production, Corona will become Canada's third-largest gold producer.

Corona will step up exploration, and Page Williams will replace declining production at its British Columbia gold mine and much more.

Teck, the big Vancouver mining group, owns 50 per cent of Page Williams, under a 1985 agreement with Corona, and shares profits. It also will share in the repayments of development expenses to Lac.

Correction

Novo-Nordisk

FIRST-half pre-tax profits by Denmark's Novo-Nordisk were DKr589m (\$77.6m), not DKr76.7m, as stated in a report on August 10. Sales by the health care group were DKr2.7bn and not, as reported, DKr2.47m.

Lowndes Queensway to unveil refinance package

By Maggie Urry

A REFINANCING package for Lowndes Queensway, the furniture and carpet retailer chaired by Mr James Gulliver, should be announced by the end of this week, Mr Eddie Dayan, managing director, said yesterday. The company was formed by the \$450m leveraged buy-out of Harris Queensway last summer.

Responding to rumours that the retailer was in trouble, Mr Dayan said: "Receivership is completely out of the question. There is no crisis." He said the problem was essentially one of short-term cash flow and that the group's trading strategy was working better than internal forecasts.

Many retailers of such big ticket items as furniture, carpets and electrical goods have seen sales fall following the rise in interest rates and slowdown in the housing market.

Mr Dayan said he could not reveal details of the refinancing which is in the final stages of negotiation, but that the package would enhance the group's balance sheet.

It is thought by bankers that Lowndes Queensway will need perhaps \$15m to \$20m of new money and that some repayments to banks will be resched-

uled. This is expected to be sufficient to ensure the group has sufficient working capital to see it through the current trading difficulties.

Mr Dayan said an announcement would be made today which he thought would stop the company's share price sliding further. It is likely to be a holding statement to reassure shareholders and employees.

The shares fell 5 1/2p to 23 1/4p on Friday, and have fallen considerably since they were valued at 100p at the time of the buy-out by Hoare Govett, Lowndes Queensway's brokers.

The refinancing was needed because of short-term trading difficulties, with sales in the shops running "substantially below last year on a like-for-like basis," Mr Dayan said. Recently trading had improved slightly, he said.

Lowndes Queensway also needed extra funding for a programme to refurbish some of the group's stores which would cost \$10m in the current financial year, ending January 1990. Results from stores which had been changed to a new format were "outstandingly good," Mr Dayan said.

The group planned to switch 80 carpet shops and 20 furni-

ture stores to the new formats by the financial year-end. Those which had already been changed were showing sales gains of 43 per cent in carpets and 23 per cent in furniture, sufficient to pay back the investment in eight months and one year respectively.

Last week Mr Gulliver and Mr Dayan met the group's larger institutional shareholders to explain the refinancing plans. These meetings went well, Mr Dayan said.

The refinancing will involve a shift of some medium-term debt to short-term debt. Sales of businesses and some shops had raised \$91m in cash for Lowndes Queensway, most of which had been used to repay debt, he said.

The group had been on course to finish the financial year \$30m ahead of target on the repayment of medium-term debt, Mr Dayan said, but was in need of a larger overdraft.

The medium-term debt is at fixed rates of interest of about 13 1/2 per cent, but overdraft rates are higher. However, the extra interest rate burden would not be large, Mr Dayan said.

● Ward White, Page 14; Eurocredits, Page 15

Accounting firms agree merger

THE US partners of Deloitte Haskins and Sells and Touche Ross, the accounting firms, have approved a merger, the firms announced last night. Renter reports from New York.

The combined firm will have 65,000 employees world-wide, and revenue in 1989 of more than \$4bn. Partners outside the US are expected to approve the merger over the next several months.

The new firm will be known as Deloitte and Touche in the US and Deloitte Ross Touche internationally. US employees will number about 20,000.

Mr Michael Cook, Deloitte chairman and chief executive, said: "The increased strength of the new firm in key European and Asian markets will enhance the resources available to meet our clients' needs as they respond to the eco-

nomie unification of Europe targeted for 1992 and the opportunities in the Pacific Rim."

Mr Edward Kangas, managing partner and chief executive of Touche Ross said that the combined organisations would provide clients with a broader range of services and greater depth in industry and other specialised areas.

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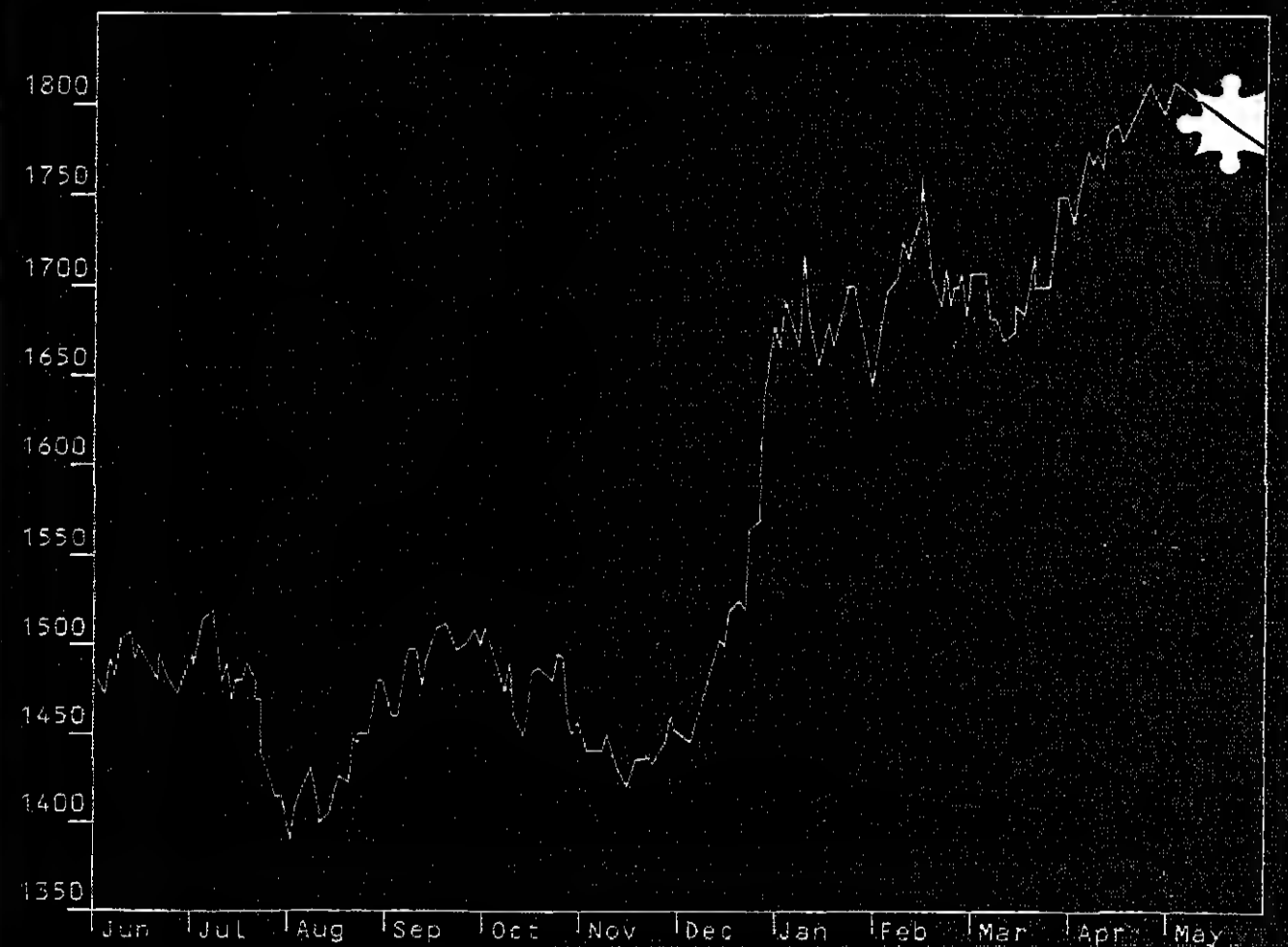
BRUSSELS with Lufthansa, TWA, Sabena, Pan-Am, British Airways, Finnair

FINANCIAL TIMES
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FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0884 + five digit code (listed below). Calls charged at 38p per minute peak and 29p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Trust Name, Date of Issue, and other details.

Table listing various unit trusts such as Abbey Unit Trust, Abbey Growth, Abbey Income, etc., with columns for unit price, date of issue, and other financial data.

Table listing unit trusts under the heading 'Buckmaster Management Co Ltd - Contd', including various equity and income funds.

Table listing unit trusts under the heading 'Equity Star Unit Trusts Ltd (CI000H)', including equity and income funds.

Table listing unit trusts under the heading 'Global Asset Management (CI200F)', including equity and income funds.

Table listing unit trusts under the heading 'Lloyds UK Unit Trusts Ltd - Contd', including equity and income funds.

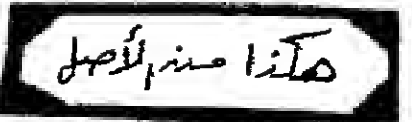
Table listing unit trusts under the heading 'Midland Unit Trusts Ltd - Contd', including equity and income funds.

Table listing unit trusts under the heading 'Prudential Pathway Unit Trusts Ltd (CI450W)', including equity and income funds.

Table listing unit trusts under the heading 'Smith & Williamson Unit Trusts (CI000H)', including equity and income funds.

GUIDE TO UNIT TRUST PRICING. Text explaining how unit prices are determined, including factors like offer and bid prices, and the role of the trustee.

Handwritten signature or mark at the bottom of the page.



FT UNIT TRUST INFORMATION SERVICE

For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OTHER UK UNIT TRUSTS' and 'INSURANCES'.

OTHER UK UNIT TRUSTS

Table listing various UK unit trusts such as 'Windsor Trust', 'Wright Seligman Fund', and 'The Yorkshire Unit Trust'.

INSURANCES

Table listing insurance companies and their unit trusts, including 'AA Friendly Society' and 'Aberly Life Assurance Co Ltd'.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service, listing various unit trusts with columns for Name, Price, Yield, and other financial metrics. Includes sections for 'ISLE OF MAN', 'LUXEMBOURG', and 'OTHER OFFSHORE FUNDS'.

LONDON SHARE SERVICE

Table of London Share Service, listing various share funds and loans. Includes sections for 'BRITISH FUNDS', 'BRITISH FUNDS - Contd', 'LOANS', 'CORPORATION LOANS', 'COMMONWEALTH & AFRICAN LOANS', and 'MONEY MARKET TRUST FUNDS'.

LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0805 43 4 four digit code (listed below). Calls charged at 88p per minute peak and 26p off peak, inc VAT

AMERICANS - Contd

Table of American share prices including companies like IBM, Microsoft, and Intel.

BUILDING, TIMBER, ROADS - Contd

Table of share prices in the building, timber, and roads sectors.

DRAPERY AND STORES - Contd

Table of share prices in the drapery and stores sectors.

ENGINEERING

Table of share prices in the engineering sector.

INDUSTRIALS (Misc.) - Contd

Table of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Table of share prices in various industrial sectors.

CANADIANS

Table of Canadian share prices including companies like Alcan and Inco.

BANKS, HP & LEASING

Table of share prices in the banking, HP, and leasing sectors.

ELECTRICALS

Table of share prices in the electricals sector.

FOOD, GROCERIES, ETC

Table of share prices in the food, groceries, and other sectors.

INDUSTRIALS (Misc.) - Contd

Table of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Table of share prices in various industrial sectors.

BEERS, WINES & SPIRITS

Table of share prices in the beer, wine, and spirit sectors.

DRAPERY AND STORES

Table of share prices in the drapery and stores sectors.

INDUSTRIALS (Misc.) - Contd

Table of share prices in various industrial sectors.

HOTELS AND CATERERS

Table of share prices in the hotels and catering sectors.

INDUSTRIALS (Misc.) - Contd

Table of share prices in various industrial sectors.

INSURANCES

Table of share prices in the insurance sector.

BUILDING, TIMBER, ROADS

Table of share prices in the building, timber, and roads sectors.

INDUSTRIALS (Misc.) - Contd

Table of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Table of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

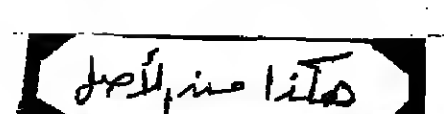
Table of share prices in various industrial sectors.

INDUSTRIALS (Misc.) - Contd

Table of share prices in various industrial sectors.

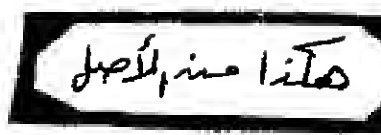
INDUSTRIALS (Misc.) - Contd

Table of share prices in various industrial sectors.



LONDON SHARE SERVICE

For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 35p per minute peak and 25p off peak, inc VAT



LEISURE

Table of Leisure shares including titles like Leisure, Leisure Group, Leisure Properties, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising shares including titles like Paper, Printing, Advertising, etc.

TEXTILES - Contd

Table of Textiles shares including titles like Textiles, Textiles Group, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land shares including titles like Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of Oil and Gas shares including titles like Oil, Gas, etc.

MINES - Contd

Table of Mines shares including titles like Mines, etc.

PROPERTY

Table of Property shares including titles like Property, etc.

TRANSPORT

Table of Transport shares including titles like Transport, etc.

TOBACCO

Table of Tobacco shares including titles like Tobacco, etc.

OVERSEAS TRADERS

Table of Overseas Traders shares including titles like Overseas Traders, etc.

PLANTATIONS

Table of Plantations shares including titles like Plantations, etc.

THIRD MARKET

Table of Third Market shares including titles like Third Market, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades shares including titles like Motors, Aircraft Trades, etc.

COMMERCIAL VEHICLES

Table of Commercial Vehicles shares including titles like Commercial Vehicles, etc.

FINANCE, LAND, ETC

Table of Finance, Land, Etc shares including titles like Finance, Land, Etc, etc.

WESTERN

Table of Western shares including titles like Western, etc.

FAR EAST

Table of Far East shares including titles like Far East, etc.

DIAMOND AND PLATINUM

Table of Diamond and Platinum shares including titles like Diamond and Platinum, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers shares including titles like Newspapers, Publishers, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising shares including titles like Paper, Printing, Advertising, etc.

SHOES AND LEATHER

Table of Shoes and Leather shares including titles like Shoes and Leather, etc.

SOUTH AFRICANS

Table of South Africans shares including titles like South Africans, etc.

TEXTILES

Table of Textiles shares including titles like Textiles, etc.

OIL AND GAS

Table of Oil and Gas shares including titles like Oil and Gas, etc.

Notes and general information regarding the share service, including details on conversion of shares and other financial matters.

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Short pound expensive on present view

THE COMBINATION of a stronger currency and lower interest rates does not represent an ideal response to current concerns and a different balance would be desirable if it could be achieved. This is a quote from page 162 of the Bank of England quarterly bulletin.

It is clear from the near dated futures contract to be overtaken in market volume with over a month to run to delivery. By the end of last week, however, the December contract was trading three times the volume of September. August is not usually a time of hectic activity in financial markets: this year is no exception, but even by the present standards turnover of only about 8,000 lots in September delivery on Friday may be

believed that there are rumblings of discontent in the streets, the traditional area of strong Conservative Party support. That some Tory MPs are putting pressure on the Government for a 1/2 point cut in bank base rates before the party's conference in October.

The Bank of England is obviously very keen to scotch any such thoughts. Where does this leave December short sterling? The answer is, probably too expensive. In one succinct sentence Liffe market traders GNI told their clients on Friday: "We remain short December short sterling."

Colin Millham

IN NEW YORK

Table with columns: Aug. 11, Close, Previous Close. Rows include US Dollar, Sterling, DM, Yen, etc.

CURRENCY RATES

Table with columns: Aug. 11, Bank Rate, Official Rate, European Currency Unit. Rows include Sterling, US Dollar, etc.

CURRENCY MOVEMENTS

Table with columns: Aug. 11, Bank of England, Official Rate, etc. Rows include Sterling, US Dollar, etc.

OTHER CURRENCIES

Table with columns: Aug. 11, £, \$, etc. Rows include Argentina, Australia, etc.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Large table with columns: NATIONAL AND REGIONAL MARKETS, FRIDAY AUGUST 11 1989, THURSDAY AUGUST 10 1989, DOLLAR INDEX. Rows include Australia, Austria, Canada, etc.

STERLING INDEX

Table with columns: Aug. 11, Previous. Rows include 8.30 am, 10.00 am, etc.

EXCHANGE CROSS RATES

Table with columns: Aug. 11, £, S, DM, Yen, etc. Rows include US Dollar, Swiss Franc, etc.

POUND SPOT - FORWARD AGAINST THE POUND

Table with columns: Aug. 11, Day's spread, One month, etc. Rows include US, Canada, etc.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table with columns: Aug. 11, Day's spread, One month, etc. Rows include UK, Canada, etc.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Aug. 09, Nov. 89, Feb. 90, etc. Rows include Gold C, Gold F, etc.

BASE LENDING RATES

Table with columns: Bank Name, Rate. Rows include ABN Bank, Adm & Comp, etc.

FT LONDON INTERBANK FIXING

Table with columns: 01.00 a.m. Aug. 11, 3 months US Dollars, etc. Rows include 1M 3M, 3M 6M, etc.

MONEY RATES

Table with columns: New York, Treasury Bills and Bonds. Rows include Prime rate, 10%, etc.

LONDON MONEY RATES

Table with columns: Aug. 11, Overnight, 7 days notice, etc. Rows include Interbank Offer, etc.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Aug. 11, Aug. 4, Aug. 11, Aug. 4. Rows include Bills on offer, etc.

LONDON RECENT ISSUES

Table with columns: Issue Name, Amount, Latest Date, etc. Rows include Equities, Fixed Interest Stocks.

RIGHTS OFFERS

Table with columns: Issue Name, Amount, Latest Date, etc. Rows include Rights Offers.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: LONDON, NEW YORK, PARIS, etc. Rows include Base rates, 7 day interest, etc.

ISLE OF MAN ENTERPRISES LIMITED

Isle of Man Enterprises Limited (Incorporated and registered in the Isle of Man under the Companies Act 1931 Registration No. 935)

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: LONDON, NEW YORK, PARIS, etc. Rows include Base rates, 7 day interest, etc.

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WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: LONDON, NEW YORK, PARIS, etc. Rows include Base rates, 7 day interest, etc.

MONEY MARKETS

Rate changes unlikely in the near future

THERE IS little prospect of a change in world interest rates at present. The US economic picture brightened towards the end of last week, pushing the dollar up, but made any relaxation of the Federal Reserve's monetary stance less likely.

MONEY MARKETS

Rate changes unlikely in the near future

encouraged better sentiment, with strong bidding at Thursday's auction of 30-year Treasury bonds.

MONEY MARKETS

Rate changes unlikely in the near future

World interest rates have been steady since the end of June, when the West German Bundesbank raised its discount rate, prompting a general increase among the members of the EMS exchange rate mechanism.

MONEY MARKETS

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UK clearing bank base lending rates

Table with columns: Bank Name, Rate. Rows include Bank of England, etc.

UK clearing bank base lending rates

Table with columns: Bank Name, Rate. Rows include Bank of England, etc.

UK clearing bank base lending rates

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UK clearing bank base lending rates

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UK clearing bank base lending rates

Table with columns: Bank Name, Rate. Rows include Bank of England, etc.

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 26.

WORLD STOCK MARKETS

Table of world stock markets including Australia, France, Germany, Italy, Sweden, and Japan. Columns include country, date, price, and change.

Table of Japanese stock markets with columns for company names, prices, and changes.

CANADA

Table of Canadian stock markets including Toronto and Montreal. Columns include stock names, prices, and changes.

INDICES

Table of various stock indices including Dow Jones, Nikkei, and others. Columns include index name, value, and change.

Table of New York Active Stocks with columns for stock names, prices, and changes.

Table of Tokyo - Most Active Stocks with columns for stock names, prices, and changes.

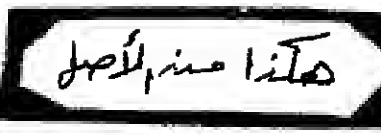
AMEX COMPOSITE PRICES

Table of AMEX Composite Prices with columns for stock names, prices, and changes.

NYSE COMPOSITE PRICES

OVER-THE-COUNTER

Nasdaq national market, 4pm prices August 11



Main table containing NYSE Composite Prices and Over-the-Counter prices. Columns include stock symbols, prices, and volume. Includes a section for '12 Month High Low' and '12 Month High Low'.

Table with 12 columns: 12 Month High Low, 12 Month High Low, 12 Month High Low, 12 Month High Low, 12 Month High Low, 12 Month High Low, 12 Month High Low, 12 Month High Low, 12 Month High Low, 12 Month High Low, 12 Month High Low, 12 Month High Low. Contains various stock symbols and their price ranges.

Advertisement for 'Your FT hand delivered in Norway'. Text includes: 'If you work in the business centres of BERGEN, OSLO or STAVANGER...', 'When you take out your first subscription to the FT, we'll send you 12 issues free...', 'Oslo (02) 678310', 'And ask Kari Berg at Narvesen Info Center for details.'

Advertisement for 'It's attention to detail'. Text includes: 'Complementary copies of the FT are available to guests staying at the Amsterdam Marriott Hotel.', 'AMSTERDAM Marriott', 'FINANCIAL TIMES'.

The Business Column

Strategy is ability to admit you are wrong

It is not enough for companies to devise strategies. They also have to implement them.

And what is implementation? Mr Henry Mintzberg, professor of management at McGill University in Montreal, says that "implementation means dropping a solution into the laps of people informed enough to know it won't work but restricted from telling anyone in power what can." Yet senior managers continue to formulate strategies and order them from consultants. Strategy, after all, has been central to the success of Japanese industry.

A Boston Consulting Group report on how Japan replaced Britain as a supplier of motor cycles to the US described Honda's strategy of focusing initially on the sale of small bikes to middle-class consumers.

"Very clever, those Japanese," Mintzberg observes in a new collection of his writings and speeches. "In fact, Honda had no strategy at all, except to see if it could sell motor cycles in the US."

The company began its effort in the US just as the motor cycle season was ending. Eventually they sold a few larger bikes, which promptly broke down. Faced with a collapse of sales, Honda tried selling the small bikes which were such a success in Japan. Americans loved them. So much for the carefully devised strategy which destroyed the British motor cycle industry.

Prepared to listen

Richard Pascale, an expert on Japanese management and the man who found out the truth about Honda in the US, says that the company's success was achieved by senior managers humble enough not to take their initial strategic positions too seriously.

Honda's senior management were prepared to accept that they had been wrong. Hands up any British employees who can remember the last time their senior managers admitted they were wrong.

Honda's executives were also prepared to listen to the employees who were closest to the US market. British managers would argue that they, too, have done a lot to improve their communications with their employees. Team briefings, company newspapers and videos to explain new developments (and corporate strategy) are now commonplace. All these communications devices have one thing in common: they enable managers to talk to employees. They do not allow employees to talk to management.

Yet it is the employees who have to put management's plans into practice. It is the employees who know most about the production process and the preferences of the customers. They run the company's equipment and sell and service its products.

There are UK companies which make strenuous efforts to use their employees' vast experience. The majority of British executives, however, are as keen on listening to their employees as they are on surrendering the keys to the company Jaguar. The idea that their subordinates might know more about aspects of the business than they do is, to many managers, simply laughable.

Even companies which in theory welcome market intelligence from employees often put obstacles in the way of those who try to provide it. On a recent trip to Cambridge, one UK employee noticed that his company's competitors had achieved great success with their products. He asked a few questions, described his company's product and was assured that it would sell equally well. Arriving back in the office filled with enthusiasm, he made a direct phone call to the director responsible. The director's secretary demanded to know what he wanted. He explained. She went off to speak to her boss. "He says to put it in a memo," she said on her return.

As Mintzberg argues, we build our organisations so that they cannot learn. "The formulators lack the information, the implementers lack the power," he says.

Michael Skapinker

"Mintzberg on Management. The Free Press. £19.95"

THE MONDAY INTERVIEW

Artisan with a taste for myth

Philippe Starck, the enfant terrible of French design, talks to Alice Rawsthorn

Starck had made his name as one of the leading lights of avant garde French design.

In 1982 he was asked by President Mitterrand to renovate three rooms in his apartment at the Elysée Palace. The French press caught the scent of a scandal and flung itself into the fray.

"I was the bad boy of architecture," recalls Starck. "I was the nightclub designer who hung around with Hall's Angels in a motorcycle gang. Nobody could believe that the president of France had become involved with a man like me. It was very, very scandalous."

Since then, Starck's career has never looked back. A year after the furore over the Elysée

PERSONAL FILE

1949 Born, Paris
1967 Left design school without graduating.
1982 Designed apartment for President Mitterrand at the Elysée Palace.
1983 Opening of Café Costes in Paris.
1984 Opening of Royalton Hotel in New York.

came the opening of Café Costes. It was an instant success. Starck was besieged with offers of new projects.

When Steve Rubell, the New York nightclub owner, saw an article on Café Costes he commissioned Starck to redesign the Royalton, a dilapidated hotel he had bought in Manhattan. The renovation of the Royalton cost \$14m. Since its reopening last autumn the interior has been splashed across glossy magazines all over the world.

Before Rubell's death last month, Starck was designing another hotel for him. He is working on two televisions - one for a Japanese manufac-

turer, the other for a European - and a boat for Benetton in France. He is also planning a second Café Costes in Paris and a new town outside Tokyo.

His designs tend to be deceptively simple. "I do not like superfluity. It is not in my nature. My designs are like my name - Starck," he says. But everything he does - the three-legged chairs are typical - has a twist of wit.

Obviously the design of the Royalton, with its opulent colours and shiny surfaces, evokes the luxury of life aboard the ocean liners of the 1930s. But Starck also sees the hotel as a metaphor for Manhattan and its history as an island of immigrants. The walls are lined with wood, an emblem of the ships that brought the immigrants to the island. The carpets are bordered by snakes, a symbol of the ethnic communities which fill the city.

In the design world of the 1980s, which has become as disillusioned with the slapstick symbolism of post-modernism as by the monotony of the old modernist style, Starck's style is nothing if not refreshing.

He is one of the very few successful designers who is still housed in his own industry. Year after year he is mobbed at the Milan Furniture Fair, the annual showcase for European design. He says he hates it. But he still visits the fair.

"My work almost always attracts controversy. I receive many, many letters," he says. "Some say my work is good. Others say 'Starck, you are full of bullshit.' I would rather people hated my work than that they did not react to it."

For the last five years he has worked from his home, a Louis XIV house outside Paris. "I live and work in the forest," he says. "I work, work, work all the time in my head. That

is why I need to be quiet in the forest, with my tribe. I hate to be in the city."

The "tribe" is the team of six designers - "all friends" - who work with Starck on his projects. There are two more in Tokyo and one in New York. Brigitte, his wife, who is a lawyer, runs the business.

Starck is hopelessly disorganised. At the beginning of each day Brigitte gives him a long list of things to do. He roars around Paris on his Harley Davidson Sportster motor cycle clutching the list so that he knows who he has to see.

He has no interest in finance. He rolls his eyes in horror when asked about mundane matters like income or profitability. Ten years ago he nearly went bankrupt when he tried to produce his own line of furniture. Now he works as a freelance.

Starck flies from country to country inspecting his different projects. One day will be spent at an Italian furniture factory. The next day he will be back in Paris, putting the finishing touches to the house he is designing for a private client.

Wherever he is, he works on ideas for new projects. Once, he says, he designed a chair in the time that it took for the seatbelt signs to go on and off in an airplane. "My work is a sickness," he says. "But I can not be without it."

A few years ago he tried to reorganise his lifestyle by buying houses in different cities. But that did not work out. Instead he has installed motor bikes - almost all Harley Davidsons - in the five cities where he spends most of his time. "I arrive with my helmet and my key," he says. "I pick up my bike and then I can live like I live in Paris."

Starck's attitude to his work is riddled with contradictions.



'Everybody should have access to good products'

He espouses the aesthetic ideals of the Bauhaus; insisting that good design should be available to everyone, not just to an elite. "I cannot imagine working only for the rich," he says. "Everybody should have access to good products. The way to work is to get the best and give it to everyone. I call it 'democratic high fashion.'"

He cites the budget range of furniture that he designs for the Trois Suisses mail order catalogue in France as one of his favourite projects. Yet most of the things he designs are so expensive that only the very wealthy can afford them.

Starck still wears the same grubby T-shirts and scuffed

jeans he favoured as a young designer. But his lifestyle is lavish. He is building a brand new home, with a helipad, on a plot of land next to his Louis XIV house. Recently he bought an oyster farm - "my new game" - on the French coast.

One of the reasons why he works as a freelance is that he hates the idea of employing - and possibly exploiting - other people. Yet he works with many of the world's most powerful multinationals.

He is unflinching by the contradictions. "I struggle and struggle but I have to accept things for what it is," he says. "My work is for everyone: not only for the poor, or for the

rich. I use the ideas from my designs for the President, in my range for the mail order catalogue."

In the future Starck intends to be stricter with his time. "We need to make less," he says. "At the moment we are busy, too busy. There are always many, many people asking for things." He plans to concentrate on product design and architecture, while reducing his involvement in areas like interior design.

"Interiors have become boring," he says. "At one time all I wanted was to design an intelligent toilet. Now there are intelligent toilets everywhere. It is time for me to move on."

Polish power slipping through many hands

Dr Martin Swiecicki has just been appointed the Economic Secretary of the Central Committee of the Polish United Workers' Party. It is one of the ruling party's top positions. At the age of 42, young in an political system, Swiecicki is a communist one - he has the world at his feet.

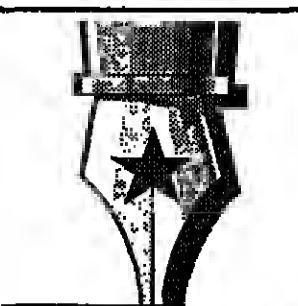
Or bad. Now, all Dr Swiecicki can see is a chain of impasses from which the Polish economy cannot escape, or can only attempt to escape at the price of social explosion. The ill-prepared liberalisation of prices on the first of this month may have already generated a swelling tide of resentment which has yet to break.

The Western aid package, intended to help cushion the shock of more market-based prices, has been meagre, not permitting the rebuilding of hard-currency reserves needed either for capital investment or to support present levels of consumption.

But, worse (from the party's point of view) than the crises which confront Dr Swiecicki is the fact that they do not confront him. Which is to say that the job of a central committee secretary, with responsibility for the economy, is not what it was and may never be again. In these circumstances, Gen Czeslaw Kiszczak continues to struggle unavailingly to form a government. Mr Mieczyslaw Rakowski, the former Prime Minister and now PUWP first secretary, has the worst job in the Socialist bloc: seeking to steel a party which has lost its purpose and found no legitimacy. Solidarity holds the political cards, but has no better solutions than anyone else. In all the most likely versions of Poland's future, the Communists will lose power because it is so obvious that they have so little support. But Dr Swiecicki will no longer be - as his post once allowed its holder to be - economic overlord of Poland.

The pessimism with which he approaches his new post is not confined to him or the PUWP. Power in Poland now appears to be slipping through a dozen pairs of hands, with none possessing the competence or will to grasp and hold it.

In his speeches, Mr Lech Walesa continues to rail the Communists, to support strikes for higher wages which simply chase prices on an ever-quickening elevator. Solidarity deputies in the Sejm (Parliament), seek to settle old scores with



Eastern Europe Notebook

the security services. The leading deputies are very often intellectuals, with a civilised intelligence and great moral courage, but little apparent instinct for power.

Mr Walesa's invitation last week to the PUWP's coalition partners - the United Peasant Party and the Democrats - to switch sides to a Solidarity-led government, was not talked through with the parliamentary group and was simply released a week ago to the official news agency. It almost seemed as if Mr Walesa wanted to test reactions, rather than lay the final strategy. Prof Bronislaw Geremek, the Parliamentary leader, suggested that a Solidarity-led coalition could embrace reform Communists. This is policy being made on the hoof.

The Walesa initiative has, of course, brought into play two parties whom everyone simply ignored as political footstools. I met, last week, the leaders of both the Peasant and the Democratic parties: even in 60-minute interviews, it became clear why this had been so, but less clear if it could change.

Mr Roman Malinowski, the Peasant Party president, likes to talk of his party's 90-year-old traditions, and its role in stopping Communist collectivisation. He insisted that his party had always been non-Marxist, for democracy and for the market. On his bookshelves, the works of Lenin - just like any senior PUWP functionary. Behind him, forty years in which his party had been first broken, its non-collaborationist elements scattered or repressed and it given a token position. Beneath him, his deputies rebel: having been placed into supporting Gen Kiszczak as Prime Minister, they have changed their minds in the face of the Walesa offer and

have now declared an end to collaboration with the Communists. Mr Malinowski, soon to retire, is probably unable to rid himself of habits of deference, but his younger colleagues have yet to show themselves able to learn the habits of competitive politics.

For the last five years he has worked from his home, a Louis XIV house outside Paris. "I live and work in the forest," he says. "I work, work, work all the time in my head. That

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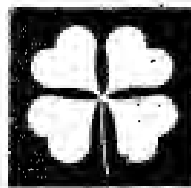
John Lloyd

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